



U.S. Department of State FY 2000 Country Commercial Guide: Tunisia

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TABLE OF CONTENTS

I. EXECUTIVE SUMMARY

II. ECONOMIC TRENDS AND OUTLOOK

- MAJOR TRENDS AND OUTLOOK
- PRINCIPAL GROWTH SECTORS
- GOVERNMENT ROLE IN THE ECONOMY
- BALANCE OF PAYMENTS SITUATION
- INFRASTRUCTURE

III. POLITICAL ENVIRONMENT

- NATURE OF POLITICAL RELATIONSHIP WITH THE UNITED STATES
- MAJOR POLITICAL ISSUES AFFECTING BUSINESS CLIMATE
- BRIEF SYNOPSIS OF POLITICAL SYSTEM, SCHEDULE OF ELECTIONS AND ORIENTATION OF MAJOR POLITICAL PARTIES

IV. MARKETING U.S. PRODUCTS AND SERVICES

- DISTRIBUTION AND SALES CHANNELS
- USE OF AGENTS AND DISTRIBUTORS; FINDING A PARTNER
- FRANCHISING
- DIRECT MARKETING
- JOINT VENTURES/LICENSING
- STEPS TO ESTABLISHING AN OFFICE
- SELLING FACTORS/TECHNIQUES
- ADVERTISING AND TRADE PROMOTION
- PRICING PRODUCTS
- SALES SERVICE/CUSTOMER SUPPORT
- SELLING TO THE GOVERNMENT
- PROTECTING YOUR PRODUCT FROM IPR INFRINGEMENT

- NEED FOR A LOCAL ATTORNEY
 - PERFORMING DUE DILIGENCE/CHECKING THE BONA FIDES OF BANKS, AGENTS, CUSTOMERS
- V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT
- BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES
 - BEST PROSPECTS FOR AGRICULTURAL GOODS
 - SIGNIFICANT INVESTMENT OPPORTUNITIES
- VI. TRADE REGULATIONS, CUSTOMS, AND STANDARDS
- TRADE BARRIERS
 - CUSTOMS REGULATIONS
 - TARIFF RATES
 - IMPORT TAXES INCLUDING VALUE ADDED TAXES AND CONSUMPTION TAXES
 - IMPORT LICENSE REQUIREMENTS
 - TEMPORARY GOODS/ENTRY REQUIREMENTS
 - SPECIAL IMPORT/EXPORT REQUIREMENTS
 - LABELING REQUIREMENTS
 - PROHIBITED IMPORTS
 - EXPORT CONTROLS
 - STANDARDS
 - FREE TRADE ZONES/WAREHOUSES
 - MEMBERSHIP IN FREE TRADE ARRANGEMENTS
 - CUSTOMS CONTACT INFORMATION
- VII. INVESTMENT CLIMATE
- OPENNESS TO FOREIGN INVESTMENT
 - CONVERSION AND TRANSFER POLICIES
 - EXPROPRIATION AND COMPENSATION
 - DISPUTE SETTLEMENT
 - PERFORMANCE REQUIREMENTS/INCENTIVES
 - RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT
 - PROTECTION OF PROPERTY RIGHTS
 - EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT
 - POLITICAL VIOLENCE
 - CORRUPTION
 - BILATERAL INVESTMENT AGREEMENTS
 - OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS
 - LABOR

- FOREIGN FREE TRADE ZONES/PORTS
- FOREIGN DIRECT INVESTMENT STATISTICS

VIII. TRADE AND PROJECT FINANCING

- DESCRIPTION OF THE BANKING SYSTEM
- FOREIGN EXCHANGE CONTROLS AFFECTING TRADE
- GENERAL AVAILABILITY OF FINANCING
- HOW TO FINANCE EXPORTS/METHODS OF PAYMENT
- TYPES OF AVAILABLE EXPORT FINANCING AND INSURANCE
- PROJECT FINANCING AVAILABILITY
- BANKS WITH CORRESPONDENT U.S. BANKING RELATIONSHIPS

IX. BUSINESS TRAVEL

- BUSINESS CUSTOMS
- TRAVEL ADVISORY AND VISAS
- HOLIDAYS
- WORK WEEK
- BUSINESS INFRASTRUCTURE
- TEMPORARY ENTRY OF GOODS

X. ECONOMIC AND TRADE STATISTICS - APPENDICES

I. EXECUTIVE SUMMARY

THIS COUNTRY COMMERCIAL GUIDE (CCG) PRESENTS A COMPREHENSIVE LOOK AT TUNISIA'S COMMERCIAL ENVIRONMENT, USING ECONOMIC, POLITICAL AND MARKET ANALYSIS. THE CCGS WERE ESTABLISHED BY RECOMMENDATION OF THE TRADE PROMOTION COORDINATING COMMITTEE (TPCC), A MULTI-AGENCY TASK FORCE, TO CONSOLIDATE VARIOUS REPORTING DOCUMENTS PREPARED FOR THE U.S. BUSINESS COMMUNITY. COUNTRY COMMERCIAL GUIDES ARE PREPARED ANNUALLY AT U.S. EMBASSIES THROUGH THE COMBINED EFFORTS OF SEVERAL U.S. GOVERNMENT AGENCIES.

TUNISIA, A MIDDLE INCOME COUNTRY OF 9.6 MILLION PEOPLE IN NORTH AFRICA, PRESENTS A CHALLENGING COMMERCIAL ENVIRONMENT THAT OFFERS MIXED POTENTIAL FOR AMERICAN BUSINESS. FOR THE LAST THIRTEEN YEARS, THE TUNISIAN GOVERNMENT HAS WORKED CLOSELY WITH THE WORLD BANK AND OTHERS TO REFORM AND DIVERSIFY ITS ECONOMY. REAL GDP GROWTH HAS AVERAGED OVER 5 PERCENT PER YEAR OVER THE LAST 4 YEARS AND INFLATION HAS BEEN

HELD WELL UNDER FOUR PERCENT FOR THE SAME PERIOD. TO SPUR FURTHER GROWTH, TUNISIA SIGNED IN 1995 A FREE TRADE ACCORD WITH THE EUROPEAN UNION (EU) UNDER WHICH IT HAS COMMITTED ITSELF TO REMOVING TARIFF AND OTHER TRADE BARRIERS WITH THE EU ON MOST NON AGRICULTURAL GOODS, SERVICES AND CAPITAL BY 2008. THE EU FTA ALSO ENHANCES TUNISIA'S POSITION AS A STAGING POINT FOR DUTY-FREE ENTRY OF PRODUCTS AND SERVICES INTO EUROPE.

WHILE THE GOVERNMENT RETAINS CONTROL OVER CERTAIN "STRATEGIC" SECTORS (FINANCE, PETROLEUM PRODUCTION AND REFINING, THE NATIONAL AIRLINE, ELECTRICITY DISTRIBUTION, TELECOMMUNICATIONS, WATER RESOURCES), THE PRIVATE SECTOR PLAYS AN INCREASINGLY IMPORTANT ROLE IN THE ECONOMY. TUNISIA CONTINUES TO IMPLEMENT MARKET LIBERALIZATION AND INCREASE THE SCOPE OF ITS PRIVATIZATION PROGRAMS. TEXTILE EXPORTS AND TOURISM ARE THE TWO SECTORS EARNING THE HIGHEST FOREIGN CURRENCY REVENUE. IN CONJUNCTION WITH TUNISIA'S FREE TRADE AGREEMENT WITH THE EUROPEAN UNION, THE GOVERNMENT LAUNCHED AN AMBITIOUS "MISE A NIVEAU" PROGRAM TO ENHANCE THE PRODUCTIVITY OF TUNISIAN BUSINESSES OVER THE NEXT TEN YEARS IN PREPARATION FOR COMPETITION IN THE GLOBAL MARKETPLACE, AND TO IMPROVE TUNISIA'S INFRASTRUCTURE, COMMUNICATIONS, AND OTHER TRADE- AND INVESTMENT-RELATED CAPABILITIES.

TUNISIA IS A MEMBER OF THE WORLD TRADE ORGANIZATION (WTO) AND IS PUBLICLY COMMITTED TO A FREE TRADE REGIME AND EXPORT-LED GROWTH. MOST GOODS CAN BE IMPORTED WITHOUT PRIOR LICENSING, ALTHOUGH APPLICATION OF NON-TARIFF BARRIERS HAS DELAYED OR PREVENTED NON-CAPITAL GOODS IMPORTS. SIGNIFICANT IMPORT DUTIES, CONSUMPTION TAXES, AND A VALUE ADDED TAX (VAT) CAN ADD CONSIDERABLY TO THE LOCAL PRICE OF IMPORTED GOODS. TUNISIA'S BILATERAL TRADE BALANCE WITH THE U.S. CONSISTENTLY FAVORS THE LATTER. AMERICAN PRODUCTS ENJOY WIDESPREAD ACCEPTANCE AMONG TUNISIAN BUSINESSES AND CONSUMERS, BUT THEIR PERCEIVED EDGE IN QUALITY AND TECHNOLOGY CAN BE OFFSET BY THE ADDITIONAL COSTS ASSOCIATED WITH THE USE OF EUROPEAN INTERMEDIARIES AS SUPPLIERS AND SURCHARGES ON ADVERTISING COSTS FOR FOREIGN-ORIGIN GOODS. THE GROWING GAP BETWEEN IMPORT DUTIES LEVIED ON U.S. ORIGIN GOODS AND EUROPEAN UNION ORIGIN GOODS HAS BECOME A CONCERN FOR SEVERAL U.S. EXPORTERS. IN RECENT YEARS, AMERICAN FIRMS HAVE SUCCESSFULLY COMPETED AGAINST ENTRENCHED EUROPEAN INTERESTS AND WON SIGNIFICANT TUNISIAN GOVERNMENT CONTRACTS.

THE OVERALL BUSINESS CLIMATE REMAINS MIXED FOR U.S. FIRMS, DESPITE WELCOME IMPROVEMENTS IN SEVERAL AREAS. ON A POSITIVE NOTE, INTERNATIONAL TELECOMMUNICATIONS RATES DECLINED SHARPLY, GSM TECHNOLOGY WILL BE FURTHER EXPANDED IN 2000, AND ACCESS TO THE INTERNET IS QUICKLY INCREASING. AMERICAN BUSINESS REPRESENTATIVES STILL FIND THE CUMBERSOME TUNISIAN BUREAUCRACY AND LENGTHY, OPAQUE DECISION-MAKING PROCESS TO BE FRUSTRATING AND AT ODDS WITH THE GOVERNMENT'S OFFICIAL PRO-BUSINESS STANCE.

TO ACHIEVE ITS TWIN GOALS OF MAINTAINING POLITICAL STABILITY AND IMPROVING ITS ECONOMIC COMPETITIVENESS IN THE INTERNATIONAL MARKETPLACE, TUNISIA SEEKS ONLY THAT FOREIGN INVESTMENT THAT WILL ENHANCE EXPORT EARNINGS, TECHNOLOGY TRANSFER, AND LOCAL EMPLOYMENT WHILE MINIMIZING COMPETITION WITH DOMESTIC INDUSTRY AND THE RISK OF DOMESTIC LAYOFFS. THE BEST INVESTMENT OPPORTUNITIES ARE IN THE INFRASTRUCTURE IMPROVEMENT (HYDROCARBONS, POWER GENERATION, TRANSPORTATION, TELECOMMUNICATIONS) OR IN OFFSHORE, EXPORT-ORIENTED, LABOR-INTENSIVE INDUSTRIES SUCH AS TEXTILES AND LIGHT MANUFACTURING. MOST U.S. INVESTMENT, AND THE MAJORITY OF THE U.S. FIRMS INVESTED IN TUNISIA, ARE IN HYDROCARBON SECTOR. A GROWING NUMBER OF U.S. FIRMS ALSO ARE INVESTING "OFFSHORE", AN ATTRACTIVE REGIME THAT OFFERS EXPORT ORIENTED INVESTORS LENGTHY TAX HOLIDAYS, DUTY FREE IMPORTS AND OTHER INCENTIVES. FOREIGN FIRMS AND OTHERS HAVE RECOMMENDED THAT TUNISIA REDUCE THE ROLE OF THE GOVERNMENT IN THE ECONOMY, STREAMLINE BUREAUCRATIC PROCEDURES, CREATE A COHERENT AND CONSISTENT REGULATORY ENVIRONMENT, ACCELERATE AND MAKE MORE TRANSPARENT GOVERNMENT DECISION-MAKING, AND CONTINUE TO IMPROVE THE QUALITY, PRICE, AND AVAILABILITY OF TELECOMMUNICATIONS SERVICES AS ESSENTIAL STEPS TOWARD IMPROVING THE INVESTMENT CLIMATE.

COUNTRY COMMERCIAL GUIDES ARE AVAILABLE FOR U.S. EXPORTERS FROM THE NATIONAL TRADE DATA BANK'S CD-ROM OR VIA THE INTERNET. PLEASE CONTACT STAT-USA AT 1-800-STAT-USA FOR MORE INFORMATION. COUNTRY COMMERCIAL GUIDES CAN ALSO BE ACCESSED VIA THE WORLD WIDE WEB AT [HTTP://WWW.STAT-USA.GOV](http://www.stat-usa.gov), [HTTP://WWW.STATE.GOV](http://www.state.gov), AND [HTTP://WWW.MAC.DOC.GOV](http://www.mac.doc.gov). THEY CAN ALSO BE ORDERED IN HARD COPY FROM THE U.S. EMBASSY OR ON DISKETTE FROM THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS) AT 1-800-553-NTIS. U.S. EXPORTERS SEEKING GENERAL

EXPORT INFORMATION / ASSISTANCE AND COUNTRY-SPECIFIC COMMERCIAL INFORMATION SHOULD CONTACT THE U.S. DEPARTMENT OF COMMERCE, TRADE INFORMATION CENTER BY TELEPHONE AT 1 - 800 - USA - TRADE OR BY FAX AT (202) 482-4473.

II. ECONOMIC TRENDS AND OUTLOOK

MAJOR TRENDS AND OUTLOOK

SINCE INDEPENDENCE TUNISIA HAS PURSUED ECONOMIC GROWTH AND POLITICAL AND SOCIAL STABILITY THROUGH EARLY AND CONSISTENT INVESTMENTS IN FAMILY PLANNING, EDUCATION, INFRASTRUCTURE, AND PROMOTION OF THE STATUS OF WOMEN. ACCORDING TO 1998 GOVERNMENT FIGURES, 79 PERCENT OF TUNISIAN HOUSEHOLDS OWN THEIR OWN HOMES, AND ELECTRICITY IS SUPPLIED TO 93 PERCENT OF THE POPULATION. THE TUNISIAN GOVERNMENT ALSO HAS UNDERTAKEN AMBITIOUS INFRASTRUCTURE DEVELOPMENT PROJECTS TO ADDRESS GROWING NEEDS IN ROADS, ENERGY, TELECOMMUNICATIONS, AND WASTE MANAGEMENT.

AFTER A LENGTHY PERIOD OF POST-INDEPENDENCE SOCIALIST ECONOMIC POLICIES, TUNISIA BEGAN IN 1986 A SERIES OF IMPORTANT STRUCTURAL REFORMS TO CREATE A MARKET ECONOMY WITH THE SUPPORT OF THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK. THE GOVERNMENT SIMPLIFIED ITS TAX SYSTEM AND REDUCED TAXES, WITH A FIXED MAXIMUM BUSINESS RATE OF 35 PERCENT. BANKING AND FINANCIAL SECTORS WERE PARTLY LIBERALIZED AND RESTRUCTURED. SOME PUBLIC COMPANIES WERE WHOLLY OR PARTIALLY PRIVATIZED AND FOREIGN TRADE AND DOMESTIC PRICES DECONTROLLED. AS OF 1998, 87 PERCENT OF PRICES WERE DEREGULATED AT THE PRODUCTION LEVEL AND 85 PERCENT AT THE DISTRIBUTION LEVEL. 97 PERCENT OF IMPORTS DO NOT REQUIRE PRIOR LICENSING, ALTHOUGH MAXIMUM TARIFF RATES ON A BROAD RANGE OF IMPORTS ROSE FROM 43 TO 250 PERCENT IN JULY 1996 WHERE THEY REMAIN. THE TUNISIAN GOVERNMENT ALSO USES A WIDE RANGE OF NON-TARIFF BARRIERS TO BLOCK IMPORTS, PARTICULARLY FOR NON-CAPITAL ITEMS.

TUNISIA'S IMPLEMENTATION OF THE FREE TRADE ACCORD WITH THE EU (SIGNED IN 1995) SHOULD, OVER THE NEXT 10 YEARS, LEAD TO THE ELIMINATION OF TARIFFS AND OTHER TRADE BARRIERS ON A WIDE RANGE OF GOODS AND SERVICES TRADED WITH THE EU. TUNISIAN COMMITMENTS IN OTHER INTERNATIONAL FORA, INCLUDING THE WORLD TRADE ORGANIZATION (WTO), ARE DESIGNED TO RELAX SOME OF THE

RESTRICTIONS ON FOREIGN PARTICIPATION IN THE INFORMATION, TELECOMMUNICATIONS, AND FINANCIAL SERVICES INDUSTRIES. TARIFFS ON TRADE WITH THE EU HAVE ALREADY BEGUN TO DECLINE; WE EXPECT ACTION TO IMPLEMENT THE WTO COMMITMENTS IN THE 1999-2003 TIME FRAME WHEN SIGNIFICANT LIBERALIZATION IN THE TELECOM SECTOR IS REQUIRED, ALONG WITH THE IMPLEMENTATION OF INTELLECTUAL PROPERTY RIGHTS LEGISLATION WHICH MEETS WTO TRIPS MINIMUM STANDARDS.

TUNISIA'S MACROECONOMIC INDICATORS CONTINUE TO BE IMPRESSIVE. THE GROSS DOMESTIC PRODUCT (GDP) GREW 5 PERCENT IN 1998, ABOVE THE TEN-YEAR AVERAGE OF ABOUT FOUR PERCENT BUT DOWN FROM THE 1996 HIGH OF 6.9 PERCENT. THE INFLATION RATE DROPPED TO 3.1 PERCENT IN 1998, DOWN FROM 3.7 PERCENT IN 1997, WELL BELOW THE TEN-YEAR AVERAGE OF ABOUT 6.2 PERCENT. THE GOVERNMENT BUDGET DEFICIT DECLINED SIGNIFICANTLY IN 1998 DUE TO PROCEEDS FROM THE PRIVATIZATION OF TWO CEMENT PLANTS, DROPPING FROM 4.0 PERCENT OF GDP IN 1997 TO 1.4 PERCENT IN 1998. THE DEBT SERVICE RATIO (AS A PERCENTAGE OF CURRENT RECEIPTS) CONTINUED ITS SMALL BUT STEADY ANNUAL DECLINE FROM 18.6 PERCENT IN 1997 TO 17.2 PERCENT IN 1998. TUNISIA'S CURRENT ACCOUNT DECLINED SLIGHTLY FROM 4.5 PERCENT OF GDP IN 1997 TO 4.2 PERCENT IN 1998. FOREIGN EXCHANGE RESERVES DECREASED SLIGHTLY DURING THAT PERIOD, BUT REMAINED NEAR THE EQUIVALENT OF THREE MONTHS OF IMPORT COVERAGE AT THE END OF 1998.

TUNISIA'S TIMELY COMPLETION OF ITS IMF PROGRAM (1987 - 1994) AND SUBSEQUENT FISCAL CONSERVATISM HAVE WON IT INVESTMENT GRADE RATINGS FROM A NUMBER OF INTERNATIONAL INSTITUTIONS, INCLUDING MOODY'S (BAA3 -- FEBRUARY 1999) AND JAPAN R&I (BBB+ -- JULY 1998). TUNISIA SUCCESSFULLY RAISED \$800 MILLION ON THE SAMURAI MARKET, AN ADDITIONAL \$360 MILLION IN THE EUROPEAN ARENA (AS OF JUNE 1996), AND, IN 1997, \$400 MILLION ON THE YANKEE BOND MARKET IN A DEAL BROKERED BY MERRILL LYNCH AND GOLDMAN SACHS. IN 1999, TUNISIA PLANS TO RAISE BETWEEN \$250 - \$500 MILLION IN EURO DENOMINATED BONDS. THE FIRST TRANCHE OF 250 MILLION EUROS (APPROXIMATELY \$259 MILLION) WILL BE BROKERED BY MORGAN STANLEY DEAN WITTER IN JULY 1999.

A MEMBER OF GATT SINCE 1990 AND OF THE WORLD TRADE ORGANIZATION (WTO) SINCE THAT ORGANIZATION'S INCEPTION, TUNISIA HAS CONCENTRATED ITS EFFORTS ON DEVELOPING EXPORT-LED GROWTH. TEXTILES AND TOURISM CONTINUE TO BE TUNISIA'S

PRIMARY FOREIGN EXCHANGE EARNERS. TOTAL TEXTILES AND LEATHER GROSS EXPORT EARNINGS INCREASED BY 9.8 PERCENT IN 1998 TO \$3.02 BILLION. TOURISM, TUNISIA'S HIGHEST NET EARNER OF FOREIGN EXCHANGE, FOLLOWED AT JUST OVER \$1.66 BILLION IN GROSS REVENUE FOR 1998, AN INCREASE OF 9.4 PERCENT FROM THE YEAR BEFORE. OTHER IMPORTANT EXPORT SECTOR EARNINGS WERE MECHANICAL AND ELECTRICAL EQUIPMENT AT APPROXIMATELY \$957 MILLION (UP A STRONG 25.7 PERCENT) AND ENERGY PRODUCTS, WHICH EXPERIENCED A SERIOUS DECLINE OF 24.9 PERCENT FROM 1997 EARNINGS OF \$510 MILLION, DUE MAINLY TO THE DROP IN OIL PRICES. GENERAL TRADE FIGURES IN 1998 SHOW EXPORTS OF \$5.99 BILLION (UP 6.2 PERCENT FROM 1997) AND IMPORTS OVER \$8.6 BILLION (UP 7.8 PERCENT).

PRINCIPAL GROWTH SECTORS

CONSTANT GDP (BASE YEAR 1990) WAS JUST UNDER \$13.8 BILLION IN 1998, UP ABOUT 1.8 PERCENT (IN DOLLAR TERMS) FROM 1997. SERVICES (PRINCIPALLY TOURISM) ACCOUNT FOR JUST OVER 43 PERCENT OF GDP, FOLLOWED BY MANUFACTURING INDUSTRIES (21.2 PERCENT OF GDP), AGRICULTURE AND FISHING (15.2 PERCENT), AND NON-MANUFACTURING INDUSTRIES, PRIMARILY PHOSPHATE MINING AND HYDROCARBONS, WHICH CONTRIBUTED 11.4 PERCENT OF GDP.

THE MANUFACTURING SECTOR IS DOMINATED BY THE TEXTILE INDUSTRY. TEXTILE AND LEATHER PRODUCTION ACCOUNTS FOR ONE-THIRD OF THE MANUFACTURING SECTOR'S SHARE OF GDP, APPROXIMATELY \$1.6 BILLION. AGRIBUSINESS IS THE COUNTRY'S SECOND MOST IMPORTANT MANUFACTURING SECTOR, FOLLOWED BY ELECTRICAL AND MECHANICAL INDUSTRIES.

TOURISM IS EQUALLY IMPORTANT TO THE SERVICES SECTOR, BOTH AS A SOURCE OF FOREIGN EXCHANGE AND AS A MAJOR EMPLOYER OF DOMESTIC LABOR. (APPROXIMATELY 270,000 TUNISIANS ARE DIRECTLY OR INDIRECTLY EMPLOYED IN TOURISM-RELATED AREAS.) THE NUMBER OF TOURISTS INCREASED IN 1998, BUT THE SECTOR CONTINUES TO FACE SUB-50 PERCENT OCCUPANCY RATES IN MANY HOTELS AND DIFFICULTIES IN MOVING BEYOND THE TRADITIONAL BASE OF LOW-MARGIN CHARTER TOURISM. INDUSTRY EXPERTS EXPECT INCREASED REVENUES IN 1999, AS AN ECONOMIC UPTURN IN EUROPE AND TURMOIL IN THE BALKANS BRING MORE TOURISTS TO SAFE MEDITERRANEAN SHORES. AT THE START OF THE HIGH SEASON, SEVERAL HOTELS IN THE RESORT AREAS WERE OVERBOOKED. THE TUNISIAN GOVERNMENT IS PURSUING ITS EFFORTS TO EXPAND

TUNISIA'S MARKETING CAMPAIGN, PARTICULARLY IN NORTH AMERICA, WHERE ANNUAL MARKETING EXPENDITURES HAVE BEEN ESTIMATED AT ONLY \$30,000. U.S. TOURISTS NUMBERED ONLY 12,000 IN 1998 ACCORDING TO MINISTRY OF TOURISM FIGURES, COMPARED TO OVER ONE MILLION GERMANS FOR EXAMPLE. THE MINISTRY ALSO AIMS TO INCREASE TUNISIA'S REVENUE-PER-TOURIST. (ACCORDING TO THE MINISTRY OF TOURISM, TOURISTS IN MOROCCO SPEND AN AVERAGE OF EIGHT TIMES AS MUCH MONEY IN-COUNTRY AS DO THOSE IN TUNISIA.)

GOVERNMENT ROLE IN THE ECONOMY

THE GOVERNMENT OF TUNISIA IS GRADUALLY REDUCING ITS ROLE IN THE DOMESTIC ECONOMY, BUT ITS SHARE STILL EXCEEDS THAT OF OTHER COUNTRIES AT COMPARABLE LEVELS OF DEVELOPMENT. TO DATE, THE MAJORITY OF THE STATE COMPANIES FULLY PRIVATIZED WERE AMONG THE SMALLEST OF THE 189 PUBLIC ENTERPRISES IDENTIFIED FOR PRIVATIZATION, AND WERE SELECTED SO AS TO MINIMIZE DISRUPTION WITHIN THE LABOR FORCE. THE GOVERNMENT IS NOW TURNING ITS ATTENTION TO LARGER PUBLIC ASSETS, INCLUDING THOSE IN THE ENERGY, CONSTRUCTION MATERIALS, AND TRANSPORT SECTORS. 1998 MARKED SOME SIGNIFICANT ADVANCES IN THIS AREA, WITH THE LONG-AWAITED LAUNCH OF THE PRIVATIZATION OF TWO CEMENT PLANTS AND THE CONCLUSION OF THE RADES II INDEPENDENT POWER PRODUCTION CONTRACT COMPETITION. SEVERAL SEMI-PUBLIC FIRMS HAVE BEEN FULLY PRIVATIZED VIA THE STOCK EXCHANGE AND DIRECT SALES OF GOVERNMENT SHARES TO PRIVATE ENTITIES.

HOWEVER, THE PRIVATIZATION PROGRAM FACES CONSIDERABLE OBSTACLES. ALTHOUGH THE PROGRAM IS SUPPORTED BY THE NATIONAL LABOR FEDERATION (UGTT), THE GOVERNMENT HAS MOVED CAREFULLY TO AVOID MASS FIRINGS IN UNPROFITABLE AND OVERSTAFFED PUBLIC COMPANIES. THE GOVERNMENT'S ATTEMPT TO BALANCE ITS RESTRUCTURING OF THE PUBLIC SECTOR WITH ITS POLICY OF MAXIMIZING EMPLOYMENT HAS ALSO LED TO RESULTS THAT FALL SHORT OF FULL PRIVATIZATION. THE 1995 PRIVATIZATION OF TUNIS AIR, FOR EXAMPLE, ENTAILED THE SALE OF ONLY 20 PERCENT OF THE GENERAL SHARES, MORE THAN HALF OF WHICH WERE PURCHASED BY COMPANY EMPLOYEES OR STATE-OWNED BANKS. SUBSEQUENT OFFERINGS OF TUNIS AIR STOCK HAS FAILED TO MATERIALIZE. WHILE SHARE VALUES HAVE INCREASED ON THE STOCK MARKET IN THE PAST YEAR, AND SEVERAL NEW ISSUES HAVE BEEN OR ARE BEING PREPARED FOR LAUNCH, THE MARKET AS A WHOLE SUFFERS FROM A LACK OF SECONDARY MARKETS AND IS NOT YET SEEN AS A PRIMARY VEHICLE FOR SUBSTANTIAL PRIVATIZATION. CONCERNS HAVE BEEN RAISED

REGARDING TRANSPARENCY AND PROPER VALUATION OF GOVERNMENT SHARES IN CERTAIN PRIVATIZATION CASES.

THE FINANCIAL SECTOR IS SLOWLY RESTRUCTURING IN PREPARATION FOR THE OPENING OF THE SERVICES SECTOR TO FOREIGN COMPETITION IN 2001 UNDER WTO AND EU FTA AGREEMENTS. TUNISIA'S PRIVATE BANKS ARE RAPIDLY GAINING RECOGNITION FOR THEIR IMPROVING FISCAL PERFORMANCE AND ARE CAPTURING MARKET SHARE THROUGH EXPANDING PRODUCTS AND SERVICES, SUCH AS BANK-FINANCED CONSUMER CREDIT. THE CENTRAL BANK CONTINUES ITS SHIFT FROM DIRECT MANAGEMENT OF THE FINANCIAL SECTOR TOWARD A MORE TRADITIONAL SUPERVISORY AND REGULATORY ROLE, WHILE STILL INTERVENING AGAINST INFLATIONARY PRESSURES. THE CENTRAL BANK IS EXERCISING STRICTER ENFORCEMENT OF GUIDELINES ON COMMERCIAL BANK CAPITAL RESERVES AND LOANS. INTEREST RATES HAVE BEEN OFFICIALLY DEREGULATED (IF NOT YET MARKET-DETERMINED IN PRACTICE) AND COMMERCIAL BANKS ARE PERMITTED TO PARTICIPATE IN THE FORWARD FOREIGN EXCHANGE MARKET. THE DINAR IS CONVERTIBLE FOR CURRENT ACCOUNT TRANSACTIONS; BUT CONVERTIBLE DINAR / FOREIGN EXCHANGE ACCOUNTS STILL REQUIRE CENTRAL BANK AUTHORIZATION. CURRENCY TRADING ON THE SPOT FOREIGN EXCHANGE MARKET HAS BEEN PRIVATIZED.

THE FINANCIAL MARKETS, CONSISTING OF A SEMI-PRIVATIZED STOCK EXCHANGE AND A NUMBER OF BOND AND MIXED BOND/STOCK FUNDS, EXPERIENCED IMPRESSIVE GROWTH THROUGH THE FIRST HALF OF 1999. TUNISIA'S TWO STOCK INDICES REPORT 15 - 25 PERCENT GROWTH IN 1999. THE EXCHANGE, WHICH HAS COMPLETED ITS SHIFT TO FULLY ELECTRONIC TRADING AMONG THE AUTHORIZED BROKERAGE HOUSES, REMAINS UNDER THE SUPERVISION OF THE STATE-RUN FINANCIAL MARKET COUNCIL AND LISTS 49 COMPANIES, 13 OF THEM BANKS. DURING 1999, PREVIOUSLY LONG-OVERVALUED STOCKS HAVE REVERSED THEIR DECLINES OF 1998 AND NOW REFLECT MORE REALISTIC VALUATIONS; HOWEVER, THE ABSENCE OF SECONDARY MARKETS STILL LIMITS THE EXCHANGE'S POTENTIAL. LOCAL EXPERTS SAY THE STOCK EXCHANGE IS IMPROVING BUT IS UNLIKELY TO BECOME AN IMPORTANT VEHICLE FOR CAPITAL FORMATION AND INVESTMENT PRIOR TO AN INCREASE IN THE NUMBER OF THE LISTED STOCKS AND A REDUCTION IN GOVERNMENT INTERVENTION. DRAFT LEGISLATION IS CURRENTLY UNDER REVIEW WHICH WOULD SEPARATE OVERSIGHT RESPONSIBILITIES OF THE EXCHANGE FROM ITS OPERATIONAL MANAGEMENT, BOTH CURRENTLY EXECUTED BY THE FINANCIAL MARKET COUNCIL. TO ENCOURAGE TUNISIAN FIRMS TO LIST ON THE EXCHANGE, THE GOVERNMENT INSTITUTED TAX INCENTIVES IN LATE 1998 WHICH

REDUCE THE CORPORATE TAX RATE FROM 35 TO 20 PERCENT FOR COMPANIES WITH AT LEAST 30 PERCENT OF THEIR SHARES TRADED ON THE EXCHANGE.

THE TUNISIAN GOVERNMENT AND THE EUROPEAN UNION IN 1995 NEGOTIATED A FREE TRADE AGREEMENT. THE AGREEMENT, WHICH ENTERED INTO EFFECT IN 1998 ONCE ALL EUROPEAN PARLIAMENTS RATIFIED THE ACCORD, WILL GRADUALLY ELIMINATE ALL DUTIES AND TRADE BARRIERS BETWEEN THE SIGNATORIES OVER THE NEXT DECADE ON MOST NON-AGRICULTURAL GOODS, SERVICES, AND CAPITAL. AS A WELCOME SIGN OF GOOD FAITH, TUNISIA BEGAN REDUCING TARIFFS IN 1996, TWO YEARS BEFORE THE AGREEMENT TOOK EFFECT. THE MINISTRY OF INDUSTRY IS RESPONSIBLE FOR IMPROVING THE INTERNATIONAL COMPETITIVENESS OF TUNISIAN INDUSTRY IN PREPARATION FOR THE ERA OF FREE TRADE WITH THE EUROPEAN UNION (SEE BELOW). THIS EFFORT, LAUNCHED ON A PILOT SCALE IN 1996 AS THE "MISE A NIVEAU" (ROUGHLY, COMPETITIVENESS ENHANCEMENT) PROGRAM AND SUPPORTED IN PART BY EU GRANTS INCORPORATED IN THE EU FTA, IS A COMBINATION OF GOVERNMENT TECHNICAL ASSISTANCE, TRAINING, SUBSIDIES, AND INFRASTRUCTURE UPGRADES AIMED AT ENCOURAGING AND ASSISTING TUNISIAN PRIVATE SECTOR INDUSTRIAL RESTRUCTURING. THE MINISTRY ALSO RETAINS CONTROL OF THE MAJORITY OF STATE-OWNED INDUSTRIES. THE MINISTRY OF COMMERCE MANAGES TRADE, CONSUMER SUBSIDY, AND PRICE CONTROL POLICIES. FINALLY, THE MINISTRY OF ECONOMIC DEVELOPMENT, A SCALED-DOWN VERSION OF THE FORMER MINISTRY OF PLANNING, IS RESPONSIBLE FOR LONG-TERM BUDGET AND POLICY COORDINATION. THE MINISTRY FOR INTERNATIONAL COOPERATION AND FOREIGN INVESTMENT IS THE GOVERNMENT'S LEAD MINISTRY FOR ALL MULTILATERAL ECONOMIC ACTIVITIES AND FOR ENCOURAGING FOREIGN INVESTMENT, THE LATTER PRIMARILY THROUGH ITS FOREIGN INVESTMENT PROMOTION AGENCY (FIPA).

BALANCE OF PAYMENTS SITUATION

TUNISIA'S TRADE DEFICIT ROSE SHARPLY IN 1998 TO 2.944 BILLION TUNISIAN DINARS (OVER 11 PERCENT). IMPORTS GREW SIGNIFICANTLY FASTER THAN EXPORTS DESPITE A MUCH IMPROVED AGRICULTURAL HARVEST, LARGELY BECAUSE OF INCREASED INDUSTRIAL ACTIVITY WHICH INCREASED DEMAND FOR INTERMEDIATE AND CAPITAL GOODS, AND SEVERAL LARGE ONE-TIME EQUIPMENT PURCHASES. FOR 1998, EXPORTS TOTALED \$5.989 BILLION, WHILE IMPORTS CLIMBED TO \$8.659 BILLION. AS A RESULT, EXPORT COVERAGE OF IMPORTS FELL TO 69.9 PERCENT.

ACCORDING TO TUNISIAN STATISTICS, THE U.S. TRADE SURPLUS WITH TUNISIA SHRANK SLIGHTLY IN 1998. U.S. EXPORTS INCREASED TO \$330 MILLION, WHILE IMPORTS FROM TUNISIA INCREASED FOR THE FIRST TIME IN TWO YEARS, TO \$40 MILLION FROM \$37 MILLION IN 1997. (U.S. DEPARTMENT OF COMMERCE STATISTICS SHOW \$196 MILLION IN U.S. EXPORTS AND \$64 MILLION IN IMPORTS FROM TUNISIA. THIS LARGE DISCREPANCY LIKELY STEMS FROM TRADE MISCOUNTED BY BOTH SIDES AS EXPORTS TO EUROPE, THROUGH WHICH MUCH BILATERAL TRADE PASSES.) THE UNITED STATES DROPPED FROM TUNISIA'S FOURTH-LARGEST SUPPLIER OF GOODS AND SERVICES TO SIXTH PLACE (WITH AN ESTIMATED 3.4 PERCENT OF THE MARKET) BEHIND FRANCE, ITALY AND GERMANY, SPAIN AND BELGIUM. AGRICULTURAL EXPORTS TYPICALLY ACCOUNT FOR ONE THIRD OF U.S. EXPORTS TO TUNISIA. THE UNITED STATES PURCHASED APPROXIMATELY 0.50 PERCENT OF TUNISIA'S TOTAL EXPORTS IN 1998.

INFRASTRUCTURE

TUNISIA HAS A RELATIVELY WELL-DEVELOPED INFRASTRUCTURE THAT INCLUDES SIX COMMERCIAL SEAPORTS AND SIX INTERNATIONAL AIRPORTS. TELECOMMUNICATIONS HAD BEEN A WEAK LINK IN THE COMMERCIAL INFRASTRUCTURE. CHANGES INSTITUTED IN LATE 1997 THROUGH A CABINET-LEVEL STRATEGY TO IMPROVE THE DEVELOPMENT OF THE SECTOR HAVE LED TO FALLING INTERNATIONAL RATES AND GREATER ACCESS TO THE INTERNET. PLANS TO OFFSET THE LIMITATIONS ON HIGH-SPEED DATA TRANSMISSION CAPACITY AND THE OFTEN SLOW AND COSTLY (BUT IMPROVING) INSTALLATION PROCEDURES HAVE YET TO COME TO FRUITION. TELEPHONE DENSITY IS ONLY 7.1 TELEPHONES PER 100 INHABITANTS, BUT THE GOVERNMENT HAS PLANS TO EXPAND SIGNIFICANTLY THE DOMESTIC NETWORK. THE TOTAL ELECTRIC GENERATING CAPACITY OF 1974 MW WILL INCREASE TO MEET THE SEVEN PERCENT PROJECTED ANNUAL GROWTH IN DOMESTIC DEMAND OVER THE NEXT TEN YEARS. THE STATE UTILITY ANTICIPATES BRINGING AN ADDITIONAL 300 MW ON LINE EVERY TWO TO THREE YEARS THROUGH 2010, BEGINNING WITH THE 470 MW RADES II IPP -- TUNISIA'S FIRST INDEPENDENT POWER PROJECT (IPP), DUE TO BE OPERATIONAL IN 2001. THE NATURAL GAS NETWORK HAS GROWN TO 790 KILOMETERS OF HIGH PRESSURE LINES THAT SERVE THE PRINCIPAL POPULATION CENTERS. 370 KILOMETERS OF DOUBLE TRANSCONTINENTAL PIPELINE CROSS TUNISIA LINKING ALGERIA AND ITALY. IN MAJOR CITIES SUCH AS TUNIS, SOUSSE AND SFAX, INFRASTRUCTURE IS GENERALLY GOOD. WATER, ELECTRICITY,

SEWAGE, TELECOMMUNICATIONS, AND ROADS ARE RELIABLE AND GENERALLY WELL-MAINTAINED. HOWEVER, IN RURAL AREAS, THESE SERVICES ARE CONSISTENTLY LESS RELIABLE, LESS WELL-MAINTAINED AND LESS ACCESSIBLE. ELECTRICITY, TELECOMMUNICATIONS, AND GASOLINE ARE EXPENSIVE BY U.S. STANDARDS.

TUNISIA HAS A 20,000-KILOMETER NETWORK OF PRIMARY AND SECONDARY ROADS WITH ONE MODERN, 140 KILOMETER FOUR-LANE TOLLROAD LINKING TUNIS AND THE EASTERN COASTAL CITY OF SOUSSE. THIS HIGHWAY WILL EVENTUALLY BE EXTENDED TO THE INDUSTRIAL CITY OF SFAX AND ULTIMATELY TO THE LIBYAN BORDER. ANOTHER TOLLROAD IS PLANNED BETWEEN TUNIS AND THE NORTHERN COASTAL CITY OF BIZERTE. ALL PRIMARY ROADS AND MOST NORTHERN SECONDARY ROADS ARE PAVED AND GENERALLY WELL-MAINTAINED. HOWEVER, THE ROAD NETWORK REMAINS INADEQUATE -- PARTICULARLY IN THE LARGER CITIES -- FOR GROWING LEVELS OF COMMERCIAL AND PRIVATE TRAFFIC. THE GOVERNMENT OF TUNISIA IS COMMITTED TO IMPROVING THE ROAD SYSTEM AND HAS OBTAINED FUNDING FOR ROAD PROJECTS FROM THE WORLD BANK AND AFRICAN DEVELOPMENT BANK.

TUNISIA HAS INTERNATIONAL AIRPORTS IN SIX CITIES: TUNIS-CARTHAGE; MONASTIR; JERBA-ZARZIS; TABARKA; SFAX; AND TOZEUR-NEFTA. A SEVENTH INTERNATIONAL AIRPORT IS CURRENTLY UNDER DEVELOPMENT TO SERVICE THE BUSY REGION BETWEEN TUNIS AND THE COASTAL TOURIST REGION AROUND SOUSSE. THE GOVERNMENT AIRLINE, TUNISAIR, FLIES FROM TUNIS TO ALL MAJOR DESTINATIONS IN EUROPE AND THE MIDDLE EAST, EXCEPT ISRAEL. MOST MAJOR EUROPEAN AND MIDDLE EASTERN AIRLINES STOP IN TUNIS, BUT NO U.S. CARRIER OFFERS DIRECT SERVICE TO TUNISIA. A \$45.6 MILLION EXTENSION TO UPGRADE THE TUNIS-CARTHAGE AIRPORT IS CURRENTLY UNDERWAY. TOTAL CAPACITY WILL BE EXPANDED TO HANDLE 4.5 MILLION PASSENGERS PER YEAR.

RAIL TRANSPORT IS AVAILABLE FOR PASSENGERS AND FREIGHT TO MOST MAJOR TUNISIAN DESTINATIONS. THE TUNISIAN GOVERNMENT HOPES TO UPGRADE ITS RAILROAD NETWORK, WITH PLANS TO OVERHAUL THE ROLLING STOCK, INSTALL INVENTORY AND TRAFFIC CONTROL SYSTEMS, AND CONSIDER EVENTUALLY PRIVATIZING ELEMENTS OF THE NETWORK ITSELF. FUNDING FOR PORTIONS OF THIS UPGRADE HAS BEEN PROVIDED BY THE WORLD BANK AND THE AFRICAN DEVELOPMENT BANK.

THE NINTH ECONOMIC DEVELOPMENT PLAN (1997-2001) CALLS FOR SUBSTANTIAL INVESTMENT IN IMPROVING THE TELECOMMUNICATIONS

INFRASTRUCTURE, WITH PLANS TO INSTALL 450,000 NEW LINES, TO CONNECT 800,000 NEW SUBSCRIBERS, AND TO COMPLETE THE CREATION OF A 200,000-SUBSCRIBER GSM NETWORK. TUNISIA HOPES TO DOUBLE ITS TELEPHONE DENSITY (TO ABOUT 14 PER 100 RESIDENTS) BY THE YEAR 2001. THE 20,000-LINE PILOT PHASE OF THE GSM NETWORK BEGAN OPERATIONS IN MARCH 1998; THE SECOND PHASE WILL BEGIN IN DECEMBER 1999. INTERNATIONAL TELEPHONE RATES HAVE FALLEN, IN SOME CASES AS MUCH AS 50 PERCENT, AND NOW AVERAGE ABOUT \$1.55 PER MINUTE TO NORTH AMERICA. ACCESS TO THE INTERNET AND THE WORLD WIDE WEB HAS EXPANDED RAPIDLY IN THE PAST YEAR WITH THE LICENSING OF TWO PRIVATE COMPANIES AS PROVIDERS, SUPERVISED BY THE TUNISIAN INTERNET AGENCY, ALTHOUGH INDIVIDUAL SUBSCRIBERS TO THE INTERNET REMAIN BELOW 10,000. THE TERMS OF THE MANDATORY CONTRACT RESTRICT THE USER TO SCIENTIFIC, COMMERCIAL, AND EDUCATIONAL ACTIVITIES, AND GIVES THE GOVERNMENT THE RIGHT TO INSPECT THE USER'S PREMISES TO ENSURE COMPLIANCE WITH THE TERMS OF THE CONTRACT. THE GOVERNMENT'S TUNISIAN INTERNET AGENCY WILL CONTINUE TO BE THE SOLE LINK TO THE INTERNET, WITH PRIVATE TUNISIAN PROVIDERS RECEIVING THEIR ACCESS THROUGH THE AGENCY. RATES FOR INTERNET ACCESS HAVE FALLEN DRAMATICALLY, TO AS LOW AS 40 DINARS PER MONTH, AND THE AUTHORIZATION AND INSTALLATION PROCEDURES CAN NOW TAKE LESS THAN THREE DAYS. HEAVY SUBSCRIBER DEMAND AND LIMITED-CAPACITY CONNECTIONS COMBINE, HOWEVER, TO SERIOUSLY DEGRADE THE SPEED AND QUALITY OF INTERNET CONNECTIONS DURING HOURS OF PEAK USAGE.

THE GOVERNMENT ANNOUNCED PLANS IN EARLY 1999 TO UPGRADE TUNISIA'S CONTAINER PORT CAPACITY, STARTING WITH THE TUNIS/RADES TERMINAL, WHICH HANDLES THE VAST MAJORITY OF TUNISIA'S CONTAINER TRAFFIC. LIMITED ADDITIONAL FACILITIES ARE AVAILABLE AT SFAX AND GABES. THE U.S. FIRM MOFFATT AND NICHOL COMPLETED A TDA-FUNDED FEASIBILITY STUDY IN 1995 ON BUILDING A STATE-OF-THE-ART CONTAINER TERMINAL FOR THE NORTHERN CITY OF BIZERTE.

TUNISIA HAS MADE COMMENDABLE EFFORTS TO ADDRESS THE YEAR 2000 PROBLEM. ACCORDING TO THE GOVERNMENT AGENCY CHARGED WITH COORDINATING EFFORTS, THE PRIMARY INFRASTRUCTURE SYSTEMS ARE WELL PREPARED FOR Y2K. WATER, ELECTRICITY, GAS, AND TELECOMMUNICATIONS UTILITIES AS WELL AS MEDICAL FACILITIES, CUSTOMS, AVIATION, AND IMMIGRATION SERVICES WILL ALL BE Y2K COMPLIANT BY THE END OF 1999. CONTINGENCY PLANS ARE UNDER DEVELOPMENT, AND REGULAR UPDATES ON TUNISIA'S Y2K COMPLIANCE

EFFORTS ARE AVAILABLE ON THE COUNTRY'S Y2K WEBSITE AT
WWW.AN2000.TN

III. POLITICAL ENVIRONMENT

NATURE OF THE POLITICAL RELATIONSHIP WITH THE UNITED STATES

TUNISIA AND THE UNITED STATES ENJOY FRIENDLY BILATERAL RELATIONS. THE TUNISIAN GOVERNMENT HAS PLAYED A CONSTRUCTIVE ROLE IN THE MIDDLE EAST PEACE PROCESS BY EXCHANGING DIPLOMATIC INTEREST SECTIONS WITH ISRAEL IN 1996 AND PARTICIPATING IN THE MULTILATERAL TRACKS OF THE PEACE PROCESS. TUNISIA HAS ALSO CONTRIBUTED MILITARY CONTINGENTS TO U.N. PEACEKEEPING MISSIONS IN CAMBODIA, SOMALIA, THE WESTERN SAHARA, AND RWANDA. COOPERATION BETWEEN THE TUNISIAN AND U.S. MILITARY IS EXTENSIVE WITH A LARGE NUMBER OF JOINT EXERCISES ANNUALLY (12 SEPARATE EXERCISES IN 1999).

U.S. BILATERAL ECONOMIC ASSISTANCE PROGRAMS (INCLUDING USAID AND THE PEACE CORPS) ENDED IN THE 1990S PRINCIPALLY BECAUSE OF TUNISIA'S SUCCESS IN SOCIAL AND ECONOMIC DEVELOPMENT, AND THE FACT THAT IT HAS RAISED PER CAPITA INCOME SUBSTANTIALLY. TUNISIA'S PRUDENT FISCAL AND DEBT MANAGEMENT POLICIES ALSO HAVE GIVEN TUNISIA ACCESS TO INTERNATIONAL CAPITAL MARKETS.

MAJOR POLITICAL ISSUES AFFECTING BUSINESS CLIMATE

TUNISIA IS A STABLE COUNTRY, LARGELY DUE TO ITS EMPHASIS ON SOCIAL AND ECONOMIC DEVELOPMENT. PRESIDENT BEN ALI HAS INITIATED A GRADUAL POLITICAL OPENING, ALTHOUGH RESTRICTIONS ON OPPOSITION POLITICAL ACTIVITY AND FREEDOM OF EXPRESSION REMAIN. A RECENT AMENDMENT TO TUNISIA'S CONSTITUTION CONCERNING PRESIDENTIAL CANDIDATES HAS PAVED THE WAY FOR THE COUNTRY'S FIRST MULTI-CANDIDATE PRESIDENTIAL ELECTION, WHICH WILL TAKE PLACE IN OCTOBER 1999. HOWEVER, PRESIDENT BEN ALI, IN POWER SINCE 1987, ENJOYS SUBSTANTIAL POPULAR SUPPORT, AND IS EXPECTED, ALONG WITH THE RULING RCD PARTY, TO WIN A LANDSLIDE VICTORY IN THE UPCOMING PARLIAMENTARY AND PRESIDENTIAL ELECTIONS. THE WARMING TREND IN THE TUNISIAN GOVERNMENT'S RELATIONSHIP WITH THE GOVERNMENT OF ALGERIA CONTINUES, FOLLOWING PRESIDENT BOUTEFLIKA'S VICTORY IN 1999. THE RISK OF A SPILLOVER OF VIOLENCE FROM ALGERIA HAD RECEDED SUBSTANTIALLY BY THE END OF 1998 DUE TO THAT COUNTRY'S

IMPROVED SECURITY SITUATION AND NOW APPEARS EVEN MORE UNLIKELY.

TUNISIA ALSO SHARES ITS SOUTHEASTERN BORDER WITH LIBYA, A STATE SLOWLY MAKING ITS WAY BACK INTO THE INTERNATIONAL COMMUNITY AFTER THE SUSPENSION OF UN SANCTIONS IMPOSED FOR ITS INVOLVEMENT IN THE BOMBING OF INTERNATIONAL AIRLINERS IN 1988 AND 1989. CONSISTENTLY WITH THE UN DECISION, TUNISIA, LIKE THE INTERNATIONAL COMMUNITY GENERALLY, SUSPENDED SANCTIONS IN APRIL 1999. MANY OF OUR CONTACTS BELIEVE THAT TUNISIAN BUSINESS WILL SUFFER AS LIBYA RE-ESTABLISHES COMMERCIAL RELATIONSHIPS WITH OTHER NATIONS. TUNISIA HAS BEEN CAREFUL TO MAINTAIN POSITIVE POLITICAL RELATIONS WITH LIBYA, BUT THE LIBYAN LEADER'S SHUNNING OF FELLOW ARAB NATIONS MAY HAVE A DETRIMENTAL IMPACT. TUNISIA'S 1998 TRADE SURPLUS WITH LIBYA, APPROXIMATELY \$48 MILLION, IS EXPECTED TO DECLINE IN 1999. (AS OF JULY 1999, THE U.S. STILL MAINTAINS ITS FULL SANCTIONS POLICY AGAINST LIBYA.)

TUNISIA'S HISTORY, POLITICAL STABILITY, AND GEOGRAPHIC PROXIMITY HAVE LED TO THE DEVELOPMENT OF AN ECONOMY CLOSELY LINKED TO EUROPE. ONGOING MULTI- AND BILATERAL ASSISTANCE PROGRAMS BY EUROPEAN UNION MEMBERS, AND THE 1995 SIGNING OF A FREE TRADE AGREEMENT WITH THE EU, REINFORCE TUNISIA'S EUROPEAN COMMERCIAL ORIENTATION.

SYNOPSIS OF POLITICAL SYSTEM, SCHEDULE FOR ELECTIONS AND ORIENTATION OF MAJOR POLITICAL PARTIES

THE GOVERNMENT OF THE REPUBLIC OF TUNISIA IS HEADED BY A PRESIDENT (SINCE 1987, ZINE EL-ABIDINE BEN ALI) ELECTED DIRECTLY BY UNIVERSAL SUFFRAGE FOR A FIVE-YEAR TERM. UNDER THE CONSTITUTION, THE PRESIDENT MAY BE ELECTED FOR A MAXIMUM OF THREE TERMS. BEN ALI WON HIS SECOND ELECTORAL MANDATE IN 1994 AND WILL FACE RE-ELECTION TO HIS THIRD TERM IN OCTOBER 1999. CABINET MEMBERS ARE NAMED BY THE PRESIDENT AND REPORT TO HIM. TUNISIAN LAW PROHIBITS PARTIES BASED ON RELIGION, RACE, LANGUAGE OR REGION. THE 163 MEMBERS OF THE UNICAMERAL PARLIAMENT, THE CHAMBER OF DEPUTIES, ARE ELECTED FOR FIVE YEAR TERMS WITH NEW ELECTIONS SCHEDULED FOR OCTOBER 1999. IN THE MARCH 1994 GENERAL ELECTION, 144 DEPUTIES OF THE RULING RCD PARTY WERE ELECTED ON PARTY LISTS IN TUNISIA'S 25 ELECTORAL DISTRICTS UNDER A WINNER-TAKE-ALL SYSTEM. TO ENSURE REPRESENTATION OF MINORITY PARTIES, NINETEEN

ADDITIONAL SEATS WERE DISTRIBUTED PROPORTIONALLY ON A NATIONAL BASIS AMONG OPPOSITION PARTY CANDIDATES SCORING HIGHEST IN THE DISTRICT BALLOTING. APPROXIMATELY TWENTY PERCENT OF THE SEATS IN THE NEW PARLIAMENT, TO BE ELECTED IN OCTOBER 1999, WILL GO TO THE OPPOSITION UNDER A LAW PASSED IN 1998. THE LAW ALSO CONTAINED PROVISIONS FOR TWENTY PERCENT OF THE SEATS IN EACH OF TUNISIA'S 257 MUNICIPAL COUNCILS TO GO TO THE OPPOSITION IN MUNICIPAL ELECTIONS SCHEDULED FOR MAY 2000. IN THE LAST ELECTIONS, HELD IN 1995, THE RCD WON 4,084 OF 4,090 MUNICIPAL COUNCIL SEATS AND CONTROL OF ALL OF THE COUNTRY'S 257 MUNICIPALITIES.

UNDER THE LEADERSHIP OF BEN ALI, THE RULING RCD IS A PRAGMATIC POLITICAL GROUPING, COMMITTED TO POLITICAL STABILITY, ECONOMIC LIBERALIZATION, AND MIDDLE EAST PEACE. THE RCD IS THE DOMINANT FORCE ON THE TUNISIAN POLITICAL SCENE, PRIMARILY DUE TO ITS HISTORICAL SIGNIFICANCE IN LEADING TUNISIA'S INDEPENDENCE MOVEMENT AND SUCCESS IN ACHIEVING HIGH LEVELS OF SOCIAL AND ECONOMIC DEVELOPMENT AND POLITICAL STABILITY. LIMITS ON THE ABILITY OF OTHER PARTIES TO OPERATE ARE ALSO A FACTOR IN THE RCD'S DOMINANCE. THERE ARE SIX LEGAL OPPOSITION PARTIES, ALL OF WHICH SUPPORT THE GENERAL DIRECTION OF TUNISIA'S ECONOMIC POLICY BUT CRITICIZE WHAT THEY SEE AS BLURRED LINES BETWEEN THE RCD AND THE GOVERNMENT BUREAUCRACY. THE TUNISIAN ISLAMIST MOVEMENT, AN-NAHDA (RENAISSANCE), WAS BANNED IN 1992 AFTER THE GOVERNMENT ACCUSED MEMBERS OF THE GROUP OF ATTEMPTING TO OVERTHROW THE GOVERNMENT.

IV. MARKETING OF U.S. PRODUCTS AND SERVICES

DISTRIBUTION AND SALES CHANNELS

TUNISIAN LAW ALLOWS BOTH WHOLESALE AND RETAIL MARKETING BY FOREIGN BUSINESSES, BUT THE GOVERNMENT DISCOURAGES NEW FOREIGN INVESTMENT IN RETAIL DISTRIBUTION FOR THE DOMESTIC MARKET. MOST DISTRIBUTION AND SALES ACTIVITY OCCURS IN THE MAJOR COASTAL CITIES, I.E., TUNIS, SFAX, SOUSSE-MONASTIR, AND BIZERTE. THERE ARE A LIMITED NUMBER OF MAJOR GROCERY OR CONSUMER RETAIL STORE CHAINS. TUNISIAN PHARMACIES OFFER AN ALTERNATIVE OUTLET FOR A BROAD RANGE OF PERSONAL CARE ITEMS.

USE OF AGENTS AND DISTRIBUTORS: FINDING A PARTNER

GOOD LOCAL AGENTS/DISTRIBUTORS ARE USUALLY CRUCIAL TO INTRODUCING PRODUCTS INTO TUNISIA. KNOWLEDGE OF THE LOCAL MARKET AND LOCAL CONTACTS CAN MEAN THE DIFFERENCE BETWEEN SUCCESS AND FAILURE. THE EMBASSY COMMERCIAL SECTION CAN PROVIDE BOTH INTERNATIONAL COMPANY PROFILES AND THE AGENT/DISTRIBUTOR SERVICE TO HELP AMERICAN FIRMS FIND POTENTIAL PARTNERS. U.S. FIRMS SHOULD NOTE THAT EXCLUSIVE DISTRIBUTION CONTRACTS IN TUNISIA ARE NOW FORBIDDEN BY LAW. TUNISIAN LAW ALSO GENERALLY FAVORS THE PARTY SEEKING TO MAINTAIN A COMMERCIAL CONTRACT, MAKING IT DIFFICULT FOR FOREIGN FIRMS TO CHANGE DISTRIBUTORS OR AGENTS AFTER ENTERING INTO A CONTRACTUAL RELATIONSHIP.

MANY TUNISIAN BUSINESSES ARE FAMILY-OWNED OR -CONTROLLED. WHILE THEY MIGHT WELCOME FOREIGN INVESTMENT IN DISTRIBUTING OR MARKETING VENTURES, TUNISIAN BUSINESSES OFTEN RESIST CEDING ANY MANAGEMENT CONTROL OF EXISTING ENTERPRISES TO OUTSIDERS. TUNISIAN COMMERCIAL LAW ALSO CONTAINS PROVISIONS DESIGNED TO PROTECT MINORITY SHAREHOLDER INTERESTS THAT CAN GIVE DISPROPORTIONATE INFLUENCE TO TUNISIAN MINORITY PARTNERS. DISTRIBUTION OR MARKETING CONTRACTS SHOULD BE VERY SPECIFIC ABOUT FINANCIAL OBLIGATIONS AND PERFORMANCE MEASUREMENTS. U.S. FIRMS SHOULD ALSO CONSIDER FIXED-, SHORT-TERM INITIAL CONTRACTS TO COVER A PROBATIONARY PERIOD FOR THE PROSPECTIVE PARTNER.

FRANCHISING

IN 1996, THE TUNISIAN GOVERNMENT EXPRESSED ITS OPPOSITION TO FRANCHISE ARRANGEMENTS WITH FOREIGN COMPANIES. SEVERAL FRANCHISE PROJECTS UNDERWAY AT THAT TIME, INCLUDING DEPARTMENT STORES AND RESTAURANTS, WERE SUBSEQUENTLY BLOCKED BY THE GOVERNMENT. THE SOLE EXISTING RESTAURANT FRANCHISE, PIZZA HUT (OPERATED IN TUNISIA BY A SAUDI ARABIAN FRANCHISE-HOLDER), WAS TARGETED IN A GOVERNMENT CAMPAIGN THAT LED TO TWO SEPARATE CLOSINGS (FOR ALLEGED INFRACTIONS WHICH THE COMPANY REFUTED), A SUSPENSION ON PLANNED EXPANSION, AND HUNDREDS OF THOUSANDS OF DOLLARS IN LOSSES. WHILE THE EMBASSY MAINTAINS A DIALOGUE WITH THE TUNISIAN GOVERNMENT ON THIS ISSUE, U.S. COMPANIES SHOULD CONSIDER THE TUNISIAN MARKET CURRENTLY CLOSED TO FRANCHISES. AS TUNISIA PARTICIPATES IN THE NEGOTIATIONS OF THE WTO AGREEMENT ON

SERVICES, WE EXPECT THE RETAIL SECTOR TO GRADUALLY OPEN TO INCLUDE FOREIGN FRANCHISES.

DIRECT MARKETING, SALES TECHNIQUES

DIRECT MARKETING CAN OFFER CERTAIN ADVANTAGES, BUT TUNISIAN BUSINESS IS STILL LARGELY DEPENDENT UPON THE ESTABLISHMENT OF PERSONAL RELATIONSHIPS. CUSTOMERS ALSO EXPECT ACCESS TO AFTER-SALES SERVICE, AND ARE SOMETIMES RELUCTANT TO PURCHASE NEW PRODUCTS, TECHNOLOGIES, OR BRAND NAMES IN THE ABSENCE OF A LOCAL REPRESENTATIVE. DIRECT MARKETING IS PROBABLY BEST-SUITED IN THE TUNISIAN MARKET TO LOW-TECHNOLOGY CONSUMER GOODS WITH A STRONG GLOBAL (OR AT LEAST EUROPEAN) BUYER RECOGNITION. (AMERICAN-BRAND ATHLETIC SHOES OR CASUAL CLOTHING, FOR EXAMPLE, ARE POPULAR ITEMS AND ARE FREQUENTLY PURCHASED BY TUNISIANS TRAVELLING ABROAD.)

JOINT VENTURES/LICENSING

THERE ARE SEVERAL SUCCESSFUL EXAMPLES OF U.S. JOINT VENTURES IN TUNISIA. COMMON SENSE, HOWEVER, MUST BE EXERCISED. COMPANIES SHOULD BE RIGOROUS IN SELECTING A PARTNER. THE EMBASSY STRONGLY RECOMMENDS THAT U.S. FIRMS RETAIN MANAGEMENT CONTROL OF ANY JOINT VENTURE COMPANY. LICENSING AGREEMENTS HAVE WORKED WELL, BUT PERIODIC VISITS ARE NECESSARY TO ENSURE ADHERENCE TO QUALITY CONTROL AND OTHER STANDARDS. THE JOINT VENTURE AGREEMENT SHOULD ALSO CLEARLY ESTABLISH A BINDING DISPUTE SETTLEMENT PROCEDURE (SUCH AS REFERRING CASES TO THE INTERNATIONAL COURT FOR ARBITRATION) ACCEPTABLE TO BOTH PARTIES.

STEPS TO ESTABLISHING AN OFFICE

ESTABLISHING OR, MORE ACCURATELY, REGISTERING AN OFFICE OF A FOREIGN COMPANY IN TUNISIA IS A RELATIVELY SIMPLE TASK. THE FOREIGN INVESTMENT PROMOTION AGENCY (FIPA) OFFERS A "ONE STOP SHOP" SERVICE TO INVESTORS SEEKING TO ESTABLISH A BUSINESS IN TUNISIA. GENERALLY, IT TAKES APPROXIMATELY TWO WEEKS TO COMPLETE ALL THE NECESSARY WORK. COMPANIES SHOULD GET THE ADVICE OF A LOCAL LAWYER BEFORE STARTING THE PROCESS. MANY COMMERCIAL LAWYERS HAVE SPECIALIZED STAFF WHO CAN HANDLE THE DETAILS WITH FIPA OR OTHER MINISTRIES. THE EMBASSY MAINTAINS A LIST OF REPUTABLE, ENGLISH-SPEAKING ATTORNEYS.

FIRMS CONTEMPLATING THIS MATTER SHOULD BE AWARE THAT THIS IS ONLY A FIRST, ALBEIT NECESSARY, STEP TOWARD COMMENCING OPERATIONS IN THE TUNISIAN MARKET. DEPENDING UPON THE TYPE OF COMMERCIAL ACTIVITY UNDER CONSIDERATION, FIRMS MAY NEED TO COMPLETE A WIDE RANGE OF REGULATORY, LICENSING, AND LOGISTICAL PROCEDURES BEFORE BRINGING THEIR PRODUCTS OR SERVICES TO THE MARKET. THE EMBASSY DOES NOT KNOW OF ANY FOREIGN INVESTMENT IN TUNISIA REQUIRING MANUFACTURING FACILITIES THAT HAS MOVED FROM THE FORMAL LAUNCHING TO THE ACTUAL COMMENCEMENT OF BUSINESS OPERATIONS IN LESS THAN FOURTEEN MONTHS.

FIPA'S SIMPLIFIED REGISTRATION PROCEDURE IS NOT AVAILABLE FOR ALL COMMERCIAL ACTIVITIES. THE FOLLOWING ACTIVITIES REQUIRE PRIOR APPROVAL FROM THE RELEVANT GOVERNMENT AGENCIES: FISHERIES, TOURISM, TRANSPORTATION, COMMUNICATIONS, EDUCATION AND TRAINING, FILM PRODUCTION, HEALTH, REAL ESTATE DEVELOPMENT, WEAPONS AND AMMUNITION, MACHINE-MADE CARPETS, WASTE TREATMENT AND RECYCLING.

ADVERTISING AND TRADE PROMOTION

THERE ARE A NUMBER OF DIFFERENT MARKETING/ADVERTISING OPPORTUNITIES, INCLUDING SPORTING EVENT SPONSORSHIP, INDUSTRY-SPECIFIC TRADE FAIRS, DIRECT MAIL, OUTDOOR/VEHICLE ADVERTISING, PRINT MEDIA, AND, TO A LESSER EXTENT, ELECTRONIC MEDIA. THE EMBASSY CAN HELP U.S. FIRMS CONTACT LOCAL MARKETING AND MEDIA CONSULTANTS TO DETERMINE THE MOST APPROPRIATE CHANNELS.

THE LOCAL PRINT MEDIA IN TUNISIA GENERALLY ACCEPT PAID ADVERTISING, ALTHOUGH THERE ARE (UNWRITTEN) STANDARDS FOR ADVERTISING WHICH CORRESPOND TO THOSE FOR EDITORIAL CONTENT. THESE STANDARDS ARE PRIMARILY CONCERNED, HOWEVER, WITH POLITICAL AND SOCIAL ISSUES RATHER THAN COMMERCIAL ONES. LOCAL ATTORNEYS OR MARKETING SPECIALISTS CAN ADVISE FOREIGNERS ON THE ACCEPTABILITY OF VARIOUS ASPECTS OF A PROMOTIONAL CAMPAIGN. FOR MARKETING PURPOSES, URBAN SOCIETY IN TUNISIA IS PROBABLY BEST DESCRIBED AS SIMILAR TO AND HEAVILY INFLUENCED BY EUROPE. REFERENCES TO RELIGION IN ADVERTISING ARE GENERALLY NOT ACCEPTABLE.

IMPORTANT PERIODICALS INCLUDE: THE GOVERNMENT-OWNED FRENCH-LANGUAGE DAILY LA PRESSE (DAILY PRINT RUN - 42,000), LE TEMPS

(PRIVATE, FRENCH; 20,000), L'ECONOMISTE MAGHREBIN (FRENCH; BI-MONTHLY, 15,000), RÉALITÉS (FRENCH AND ARABIC; WEEKLY, 20,000), L'OBSERVATEUR (FRENCH AND ARABIC; WEEKLY, 14,000), TUNISIA NEWS (ENGLISH; WEEKLY, 15,000), ASH-SHURUQ (PRIVATE, ARABIC; 80,000), AND AS-SABAH (ARABIC; 53,000). SELECTED FOREIGN PUBLICATIONS, INCLUDING THE FRENCH DAILY LE MONDE, ARE ALSO GENERALLY AVAILABLE IN TUNISIA, ALTHOUGH INDIVIDUAL ISSUES ARE SOMETIMES WITHHELD FROM PUBLIC SALE IF THEY CONTAIN "UNACCEPTABLE" MATERIAL.

THE ELECTRONIC / BROADCAST MEDIA IN TUNISIA ARE OPERATED DIRECTLY BY THE TUNISIAN BROADCASTING AUTHORITY (ERTT), WHICH IS A GOVERNMENT AGENCY. FOREIGN COMMERCIAL ADVERTISING IS ACCEPTED, BUT UNDER STANDARDS APPLIED EVEN MORE STRICTLY THAN FOR PRINT MEDIA. ADVERTISING RATES IN THE BROADCAST MEDIA DISCRIMINATE AGAINST FOREIGN-ORIGIN GOODS. ADVERTISING TIME FOR SUCH GOODS WILL COST THREE TO FOUR TIMES AS MUCH AS FOR THOSE OF TUNISIAN ORIGIN.

THERE ARE ALSO A GROWING NUMBER OF INDUSTRY-SPECIFIC TRADE SHOWS, GENERAL EXPOSITIONS, AND PROMOTIONAL EVENTS. MOST MAJOR TUNISIAN CITIES BOAST AT LEAST ONE EXPOSITION CENTER; TUNIS HAS THREE.

PRICING PRODUCTS

EXCEPT FOR FOOD ITEMS, MANY OF WHICH ARE EITHER SUBSIDIZED LOCAL PRODUCTS OR COMPETITIVELY-PRICED REGIONAL IMPORTS, PRODUCTS ON THE LOCAL URBAN MARKET ARE PRICED AT LEVELS ROUGHLY EQUIVALENT TO MAJOR URBAN CENTERS IN THE U.S.

AMERICAN DURABLE GOODS (E.G., MACHINE TOOLS, GENERATORS) CURRENTLY AVAILABLE ON THE TUNISIAN MARKET TEND TO BE SIGNIFICANTLY MORE EXPENSIVE THAN THEIR EUROPEAN OR ASIAN COMPETITION. LOCAL DISTRIBUTORS ATTRIBUTE MUCH OF THE COST DIFFERENTIAL (UP TO 30 OR 40 PERCENT) TO THE ADDITIONAL CHARGES ADDED BY EUROPEAN INTERMEDIARIES OF U.S. SUPPLIERS. ALTHOUGH U.S. SUPPLIERS OF MANUFACTURED GOODS HAVE BEEN RELUCTANT IN THE PAST, POSSIBLY BECAUSE OF LANGUAGE OR CULTURAL DIFFERENCES, TO DEAL DIRECTLY WITH TUNISIAN DISTRIBUTORS, THE MAJORITY OF LOCAL DISTRIBUTORS HAVE EXPRESSED A STRONG INTEREST IN ELIMINATING THE "MIDDLEMEN" IN THE EXISTING DISTRIBUTOR RELATIONSHIPS. THE SAME ATTITUDE IS COMMON AMONG PURCHASERS OF U.S. EXPORTS HERE, WHO ARE OFTEN

DIRECTED TOWARD THE EUROPEAN OFFICE THAT HAS RESPONSIBILITY FOR THE REGIONAL MARKET.

SALES SERVICE / CUSTOMER SUPPORT

TUNISIAN CONSUMERS ARE BECOMING MORE ACCUSTOMED TO SALES SERVICE, AND HAVE BEGUN TO EXPECT A HIGHER DEGREE OF CUSTOMER SUPPORT. THE GOVERNMENT HAS RECENTLY INSTITUTED MEASURES TO INCREASE CONSUMER PROTECTION. FOR EXAMPLE, IN 1998 THE MINISTRY OF COMMERCE DESIGNED A STANDARD SALES CONTRACT DETAILING THE REQUIREMENTS OF RETAIL OR MANUFACTURER GUARANTEES. THE MODEL CONTRACT IS INCLUDED AS AN ANNEX TO THE 1999 LAW REQUIRING SPECIFIC CLAUSES IN ALL GUARANTEES OF ELECTRONIC AND HOUSEHOLD EQUIPMENT. IN ADDITION TO PROVIDING TECHNICAL INSTRUCTIONS IN ARAB AND FRENCH OR ENGLISH AND PROVIDING VERIFICATION OF THE PROPER FUNCTIONING AND GOOD CONDITION OF THE MERCHANDISE, THE LAW INCLUDES A SCHEDULE OF REIMBURSEMENTS TO BE MADE TO THE CONSUMER IF FAULTY MERCHANDISE CANNOT BE ADEQUATELY REPAIRED WITHIN 15 DAYS OF NOTIFICATION FROM THE CONSUMER.

SELLING TO THE GOVERNMENT

THE TUNISIAN GOVERNMENT MAKES THE MAJORITY OF ITS PURCHASES FROM FOREIGN SUPPLIERS THROUGH INTERNATIONAL TENDERS. THESE TENDERS ARE PUBLISHED WIDELY IN THE LOCAL MEDIA; THE LARGER TENDERS ARE SOMETIMES DISSEMINATED IN SELECTED FOREIGN JOURNALS AS WELL. IN GENERAL, AMERICAN FIRMS HAVE FOUND THE TENDER PROCEDURES TO REQUIRE THE SUBMISSION OF COMPLEX DOCUMENTATION WITHIN A VERY SHORT PERIOD OF TIME. THE EMBASSY CAN ASSIST U.S. FIRMS BY ALERTING THEM TO PROMISING TENDERS (THE BEST PROSPECTS ARE REPORTED TO THE DEPARTMENT OF COMMERCE IN WASHINGTON AND ARE AVAILABLE THROUGH DEPARTMENT OF COMMERCE DISTRICT OFFICES, THE COMMERCE BUSINESS DAILY, OR THE NATIONAL U.S.-ARAB CHAMBER OF COMMERCE), ASSISTING IN ACQUIRING THE TENDER DOCUMENTS, AND PROVIDING LISTS OF LOCAL TRANSLATORS (BIDS ALMOST ALWAYS MUST BE SUBMITTED IN FRENCH).

TUNISIAN GOVERNMENT AGENCIES TEND TO ADHERE STRICTLY TO TENDER RULES AND SPECIFICATIONS. (U.S. FIRMS HAVE BEEN DISQUALIFIED FOR MISSING SUBMISSION DEADLINES BY LESS THAN THIRTY MINUTES AND FOR SUBMITTING PROPOSALS WITH TECHNICALLY-INSIGNIFICANT DIFFERENCES IN SPECIFICATIONS.) U.S. BIDDERS SHOULD NOT ASSUME, AS IS OFTEN THE CASE IN THE U.S. THAT

POTENTIAL CUSTOMERS ARE LOOKING TO THE BIDDERS TO DESIGN SOLUTIONS TO A GIVEN PROBLEM. INSTEAD, GOVERNMENT AGENCIES TYPICALLY ARRIVE AT DESIRED SOLUTIONS THROUGH PRE-TENDER STUDIES AND THEN SOLICIT SPECIFIC EQUIPMENT OR SERVICES. BIDS AT VARIANCE WITH THE TENDER SPECIFICATIONS, EVEN IF TECHNICALLY SUPERIOR TO THE SOLICITED PROPOSAL, WILL OFTEN BE AT A DISADVANTAGE. (U.S. BIDDERS INTERESTED IN SUBMITTING PROPOSALS AT VARIANCE WITH THE TENDER SPECIFICATIONS SHOULD DO SO ONLY AS A CLEARLY-IDENTIFIED ALTERNATIVE TO THEIR PRINCIPAL, FULLY-CONFORMING BID.)

U.S. FIRMS SHOULD ALSO BE AWARE OF OTHER FACTORS THAT HEAVILY INFLUENCE THE GOVERNMENT'S EVALUATION OF BIDS: CONTRIBUTION TO THE LOCAL ECONOMY (INVESTMENT IN, OR PARTNERSHIP WITH, A TUNISIAN ENTITY); TRANSFER OF SKILLS OR TECHNOLOGY; CONTRIBUTION TO LOCAL EMPLOYMENT (AS OPPOSED TO THE LABOR-SAVING EMPHASIS OF THE U.S. MARKET); AND LONG-TERM FINANCIAL IMPACT (COST, FINANCING PACKAGES, IMPACT ON BALANCE OF TRADE). AMERICAN BIDS HAVE TYPICALLY BEEN VERY COMPETITIVE ON PRICE AND TECHNOLOGY; EUROPEAN FIRMS HAVE GENERALLY BENEFITED FROM STRONGER FINANCING PACKAGES AND LINKS TO THE LOCAL ECONOMY. TUNISIA'S GEOGRAPHIC, STRATEGIC, AND POLITICAL SITUATION HAS ALSO LED TO THE ADOPTION OF AN INFORMAL POLICY DESIGNED TO REFLECT THESE CONCERNS IN THE TREATMENT OF COMPETING BIDS FROM NATIONS THAT ARE MAJOR TRADING PARTNERS.

THE TUNISIAN GOVERNMENT HAS A LENGTHY DECISION-MAKING PROCEDURE. U.S. FIRMS CAN EXPECT MAJOR CONTRACT DECISIONS TO BE KEPT PENDING FOR MONTHS AFTER THE BIDDING DEADLINE. DECISIONS ON CONTRACTS IN EXCESS OF \$2-3 MILLION USUALLY REQUIRE REVIEW BY THE COMMISSION SUPERIEURE DES MARCHÉS, A QUASI-INDEPENDENT CONTRACTING OVERSIGHT OFFICE THAT REPORTS TO THE PRIME MINISTER. THIS STEP CAN ADD AN ADDITIONAL ONE TO SIX MONTHS TO THE CONTRACT PROCEDURE. THESE CONTRACTS MAY ALSO HAVE TO BE APPROVED BY THE CHAMBER OF DEPUTIES, WHICH IS NORMALLY IN SESSION FROM NOVEMBER TO JUNE. IN 1998, THE GOVERNMENT INSTITUTED AN INFORMAL POLICY WHICH REQUIRES THE REVIEW OF TENDER DOCUMENTS BY THE COMMISSION SUPERIEURE DES MARCHES BEFORE THE OFFICIAL LAUNCHING OF THE TENDER FOR CONTRACTS OVER \$10 MILLION.

ONCE A CONTRACT IS AWARDED, THE ADMINISTERING AGENCY WILL NEGOTIATE THE SPECIFICATIONS OF THE CONTRACT WITH THE WINNING

BIDDER PRIOR TO SIGNING THE CONTRACT. THE GOVERNMENT HAS A WELL-EARNED REPUTATION FOR LENGTHY AND PERSISTENT NEGOTIATIONS, AND U.S. FIRMS ARE ADVISED TO ALLOW FOR THIS IN THEIR INITIAL BID. NEGOTIATIONS ON CONTRACTS WON RECENTLY BY AMERICAN FIRMS HAVE RANGED FROM TWO TO NINE MONTHS.

PERFORMANCE BONDS OF BETWEEN ONE AND TEN PERCENT ARE COMMON ON GOVERNMENT CONTRACTS. THE GOVERNMENT WILL ADHERE AS STRICTLY TO THE SPECIFICATIONS OF THE CONTRACT AS IT DOES TO THE TENDER SPECIFICATIONS, AND IT WILL EXPECT SIMILAR ADHERENCE FROM THE CONTRACTOR.

PROTECTING YOUR PRODUCT FROM IPR INFRINGEMENT

TUNISIAN LAW DOES PROVIDE FOR COPYRIGHT AND TRADEMARK REGISTRATION AND PROTECTION. TO ENSURE ENFORCEMENT, U.S. FIRMS MUST REGISTER THEIR TRADEMARKS AND INDUSTRIAL DESIGNS WITH THE TUNISIAN INSTITUTE FOR STANDARDIZATION AND INTELLECTUAL PROPERTY (INNORPI). IN PRACTICE, HOWEVER, RECOGNITION, APPLICATION, AND ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS (IN PARTICULAR, COPYRIGHTS) ARE A CONTINUING PROBLEM. FOR A FULLER DISCUSSION OF THIS ISSUE, PLEASE SEE SECTION VII, BELOW.

NEED FOR A LOCAL ATTORNEY

THE EMBASSY STRONGLY RECOMMENDS THAT U.S. FIRMS INTERESTED IN THE TUNISIAN MARKET ENGAGE A REPUTABLE LOCAL ATTORNEY WITH EXPERIENCE IN COMMERCIAL AFFAIRS. LOCAL ATTORNEYS CAN PROVIDE A BROAD RANGE OF IMPORTANT SERVICES AND FIRMS CAN OFTEN AVOID HIRING AN ADDITIONAL LOCAL AGENT(S) FOR ADMINISTRATIVE OR POLITICAL MATTERS. A LIST OF REPUTABLE AND EXPERIENCED LOCAL ATTORNEYS IS AVAILABLE FROM THE EMBASSY.

PERFORMING DUE DILIGENCE/CHECKING BONA FIDES OF BANKS, AGENTS, CUSTOMERS

MARKET RESEARCH FIRMS, SUCH AS A REPRESENTATIVE OFFICE OF DUN & BRADSTREET INTERNATIONAL, DO EXIST IN TUNISIA, AS DO PUBLIC CERTIFIED ACCOUNTANTS. THESE COMPANIES SUPPLY LIMITED CREDIT INFORMATION ON A SELECTIVE BASIS. HOWEVER, IT IS OFTEN DIFFICULT TO PERFORM DUE DILIGENCE ON BANKS, AGENTS, AND CUSTOMERS WHO ARE NOT WELL-KNOWN TUNISIAN CORPORATE ENTITIES. BANKS RARELY PROVIDE DETAILED INFORMATION REGARDING THEIR

BUSINESS CLIENTS WITHOUT EXPRESS PERMISSION FROM THE CLIENTS THEMSELVES, AND CREDIT CHECKS AND REPORTS ARE NOT FREELY AVAILABLE. U.S. COMPANIES THAT REQUIRE DUE DILIGENCE INVESTIGATIONS ARE ENCOURAGED TO CONTACT THE EMBASSY ABOUT ITS INTERNATIONAL COMPANY PROFILE AND AGENT AND DISTRIBUTOR SERVICES.

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES (RELIABLE INDUSTRY-SPECIFIC DATA ARE NOT AVAILABLE, EXCEPT AS NOTED IN THE TEXT OF THE NARRATIVE PORTION.)

1 -- TELECOMMUNICATIONS EQUIPMENT (TEL)

THE OPPORTUNITIES IN TELECOMMUNICATIONS HAVE INCREASED SINCE 1998 WITH THE LAUNCH OF NEW TENDERS FOR A SECOND GSM LICENSE, EXPANDED CONNECTIONS TO THE FIBER OPTIC NETWORK, WIRELESS LOCAL LOOP TECHNOLOGY, AND AN AUDIOTEXT SYSTEM. THE NINTH DEVELOPMENT PLAN (1997 - 2001) PROJECTS 17 PERCENT GROWTH IN THE SECTOR, AND CALLS FOR THE ADDITION OF 450,000 NEW DOMESTIC CIRCUITS, THE CONNECTION OF 800,000 SUBSCRIBERS TO THE NATIONAL NETWORK, AND THE INSTALLATION OF SECOND AND THIRD PHASES FOR A 200,000-SUBSCRIBER GSM SYSTEM. TENDERS FOR RADIO TRANSMISSION EQUIPMENT AND A LOW-ORBIT SATELLITE SYSTEM ARE EXPECTED IN 2000. ITS COMMITMENTS UNDER THE WTO BASIC TELECOM AGREEMENT REQUIRE TUNISIA TO ALLOW MARKET ACCESS AND NATIONAL TREATMENT TO FOREIGN TELEPHONE SERVICE PROVIDERS BY JANUARY 2003. SIEMENS, ALCATEL, AND ERICSSON ARE MAJOR EUROPEAN COMPETITORS IN THIS SECTOR.

2 -- ELECTRICAL POWER SYSTEMS (EMP)

THE GOVERNMENT ANTICIPATES RELYING HEAVILY ON INDEPENDENT POWER PRODUCTION (IPP) TO MEET TUNISIA'S SEVEN PERCENT ANNUAL GROWTH IN ELECTRICITY CONSUMPTION. STEG, THE STATE ELECTRICITY AND GAS UTILITY, IS CURRENTLY PLANNING TO BRING AN ADDITIONAL 100 - 300 MW ON LINE EVERY TWO YEARS BEGINNING IN 2001. STEG SUCCESSFULLY COMPLETED CONTRACT NEGOTIATIONS WITH AN AMERICAN-LED CONSORTIUM TO BUILD-OWN-OPERATE (BOO) A 470 MW COMBINED CYCLE ELECTRICAL POWER PLANT IN 1999. AMERICAN FIRMS HAVE ESTABLISHED A SOLID PRESENCE IN THE POWER GENERATION SECTOR IN TUNISIA. COMPETITION FOR U.S. FIRMS WILL COME PRIMARILY FROM EUROPE, WITH ABB (SWITZERLAND), CGE

(FRANCE), SIEMENS (GERMANY), FIAT (ITALY), AND OTHERS INTERESTED IN THE MARKET. THIS INDUSTRY WILL OFFER THE LARGEST AND BEST OPPORTUNITIES BOTH FOR EQUIPMENT EXPORTS AND (IN THE CASE OF FUTURE BOO PROJECTS) INVESTMENT IN THE TUNISIAN MARKET IN 2001 AND BEYOND.

3 -- CONSTRUCTION AND ENGINEERING SERVICES (ACE)

IN 1999, THE GOVERNMENT ANNOUNCED PLANS TO DEVELOP A NEW INTERNATIONAL AIRPORT AT ENFIDHA, 60 KILOMETERS NORTH OF THE COASTAL TOWN OF SOUSSE. THE FIRST PHASE OF CONSTRUCTION CALLS FOR A CAPACITY OF SEVEN MILLION PASSENGERS. CONSTRUCTION AND ENGINEERING STUDIES WILL BE LAUNCHED IN 1999. TUNISIA ALSO PLANS TO LAUNCH TENDERS FOR A SERIES OF MAJOR HIGHWAY PROJECTS IN 1999. A TENDER FOR COMPLETION OF THE TUNIS-BIZERTE HIGHWAY WAS ISSUED IN 1999. TUNIS-BOUSALEM IS 140 KILOMETERS LONG, AND THE M'SAKEN-GABES LINK IS 250 KILOMETERS LONG. AS OF MID-1999, THE GOVERNMENT HAD NOT YET RELEASED TENDERS FOR THESE ROAD PROJECTS, BUT HAD INCORPORATED THEM INTO THE INVESTMENT GOALS OF ITS NINTH DEVELOPMENT PLAN.

4 -- TRANSPORTATION EQUIPMENT

IN ADDITION TO EXPANDING CAPACITY AT SEVERAL AIRPORTS, THE OFFICE OF CIVIL AVIATION AND AIRPORTS (OACA) HAS SUBMITTED A PLAN TO UPGRADE THE NATIONAL AIR TRAFFIC CONTROL NETWORK, RADAR, NAVIGATION AND LANDING EQUIPMENT, AND AIRPORT SECURITY SYSTEMS OVER THE NEXT THREE YEARS.

SNCFT, THE NATIONAL RAILWAYS COMPANY, IS PURSUING AN INFRASTRUCTURE AND EQUIPMENT UPGRADE TO CONTINUE THROUGH 2003. THERE ARE SEVERAL POTENTIAL PROJECTS INVOLVING THE PURCHASE OF NEW ROLLING STOCK, CREATION OF NEW MAINTENANCE AND REPAIR FACILITIES, AND IMPROVEMENT OF NETWORK MANAGEMENT SYSTEMS.

5 -- POLLUTION CONTROL EQUIPMENT AND SERVICES (POL)

TUNISIA'S MINISTRY OF ENVIRONMENT HAS LAID OUT AN AMBITIOUS \$2 - 3 BILLION DEVELOPMENT PLAN FOR THE NEXT 5 - 10 YEARS. AMERICAN EXPORTERS OF ENVIRONMENTAL GOODS AND SERVICES WILL FIND THE COMPETITION, ESPECIALLY FROM GERMAN FIRMS, EXTREMELY DIFFICULT BUT THE MARKET HAS ENORMOUS POTENTIAL. WITHIN THE

ENVIRONMENTAL SECTOR, ANTICIPATED TENDERS ON AS MANY AS 20 BOT LANDFILL CONSTRUCTION / MANAGEMENT PROJECTS AND COASTAL POLLUTION CONTROL TECHNOLOGY SEEM TO PLAY TO AMERICAN STRENGTHS IN THIS FIELD. A CONSIDERABLE PORTION OF THE PLANNED SPENDING WILL ALSO BE DIRECTED TOWARD WASTEWATER TREATMENT (WITH A TENDER FOR THE \$60 MILLION B-O-T TUNIS-WEST WASTEWATER TREATMENT FACILITY TO BE LAUNCHED IN 2000), AGRICULTURAL LAND MANAGEMENT, AND THE CLEAN-UP OF TUNISIA'S LARGEST INDUSTRIAL ENVIRONMENTAL PROBLEM: TAILINGS FROM YEARS OF PHOSPHATE MINING AND FERTILIZER PRODUCTION.

BEST PROSPECTS FOR AGRICULTURAL PRODUCTS

A -- CEREALS AND MEAL FEED

TUNISIA ESTIMATES CEREALS IMPORTS IN 1998 EXCEEDED \$295 MILLION, COMPARED TO \$325 MILLION IN 1997. THIS NINE PERCENT DECREASE IN IMPORTS IS LARGELY DUE TO HIGHER THAN AVERAGE PRODUCTION (1.65 MILLION METRIC TONS) OF WHEAT AND BARELY. IN 1999 CEREALS IMPORTS ARE EXPECTED TO FALL TO APPROXIMATELY \$200 MILLION BECAUSE OF SUBSTANTIALLY HIGHER THAN AVERAGE HARVESTS IN 1999 DUE TO GENERALLY FAVORABLE WEATHER CONDITIONS. WHOLE CORN AND SOYBEAN MEAL (NOT PRODUCED LOCALLY) CONTINUE TO BE THE MAIN INGREDIENTS FOR THE ANIMAL FEED INDUSTRY. COMBINED IMPORTS OF THESE TWO COMMODITIES ARE EXPECTED TO REACH APPROXIMATELY \$110 MILLION.

B -- GRAIN SILOS/ELEVATORS, AGRICULTURAL EQUIPMENT, AND LIVESTOCK

THERE IS A SIZABLE MARKET FOR AGRICULTURAL EQUIPMENT IN TUNISIA. A GOT DECISION TO PRIVATIZE GRAIN STORAGE HAS CREATED A DEMAND FOR SILOS. PRIVATIZATION OF STATE OWNED FARMS AND GOVERNMENT INCENTIVES, INCLUDING THE NEW INVESTMENT CODE, IS SPURRING GROWTH IN THE POULTRY, DAIRY, WINE, AND OTHER INDUSTRIES. THERE IS GROWING DEMAND FOR NEW EQUIPMENT AND LIVESTOCK, INCLUDING DAIRY HEIFERS AND CALVES FOR MEAT PRODUCTION.

VI. TRADE REGULATIONS AND STANDARDS

TRADE BARRIERS

TUNISIA IS A MEMBER OF THE WORLD TRADE ORGANIZATION (WTO). WHILE MAINTAINING RESTRICTIONS ON DESIGNATED STRATEGIC AREAS, THE TUNISIAN GOVERNMENT IS PURSUING ITS PROGRAM OF FREEING UP IMPORTS. APPROXIMATELY 97 PERCENT OF IMPORTED GOODS DO NOT NEED PRIOR LICENSING. THIS REPRESENTS A SUBSTANTIAL INCREASE OVER 1986 WHEN ONLY 23.6 PERCENT OF IMPORTS COULD BE FREELY IMPORTED. GOVERNMENT USE OF NON-TARIFF BARRIERS, HOWEVER, HAS SOMETIMES LED TO THE DELAY OR REJECTION OF GOODS SHIPPED TO TUNISIA.

TUNISIA'S IMPORT DUTIES RANGE FROM 10 PERCENT TO 250 PERCENT. CERTAIN LUXURY, DURABLE GOODS (SUCH AS AUTOMOBILES), OR CONSUMER ITEMS ARE ALSO ASSESSED A CONSUMPTION TAX THAT CAN BE AS HIGH AS 700 PERCENT. TUNISIA CALCULATES VAT ON THE BASE PRICE OF THE GOODS PLUS ANY IMPORT DUTIES, SURCHARGES, AND CONSUMPTION TAXES.

AGRICULTURAL PRODUCTS ARE GENERALLY ASSESSED HIGH IMPORT DUTIES AND IN SOME CASES FACE OTHER IMPORT BARRIERS. TUNISIA OFTEN GIVES PREFERENTIAL TARIFF RATES TO AGRICULTURAL PRODUCTS ORIGINATING IN ARAB AND NORTH AFRICAN NATIONS. HOWEVER, THE GOVERNMENT RECENTLY REVERSED THIS POLICY IN THE CASE OF COTTON AFTER YEARS OF INTERVENTION BY U.S. AND OTHER FOREIGN SUPPLIERS. COTTON FROM MAJOR ARAB SUPPLIERS HAD ENTERED TUNISIA DUTY FREE WHILE THAT IMPORTED FROM OTHER COUNTRIES, INCLUDING THE UNITED STATES, REQUIRED A 17 PERCENT DUTY. AS OF JANUARY 1999, ALL COTTON IMPORTS ARE DUTY FREE. CERTAIN INTERMEDIATE FOOD PRODUCTS (SUCH AS CHEESE FOR PIZZA) CAN BE SUBJECT TO AN EVEN GREATER DIFFERENTIAL, UP TO 250 PERCENT. IMPORTERS HAVE REPORTED SEVERAL INSTANCES, HOWEVER, OF CONSUMER GOODS, INCLUDING FOOD PRODUCTS, BEING DENIED ENTRY INTO THE TUNISIAN MARKET WITHOUT OFFICIAL EXPLANATION. IMPORTERS HAVE ALSO EXPERIENCED EXTENDED DELAYS IN CUSTOMS CLEARANCE FOR TECHNICAL AND QUALITY CONTROL INVESTIGATIONS.

CUSTOMS VALUATION

IMPORTS ARE SUBJECT TO MAXIMUM TARIFF RATES AS HIGH AS 250 PERCENT. GOODS ARE ALSO SUBJECT TO A CUSTOMS FORMALITY FEE, CURRENTLY COSTING THREE PERCENT OF THE TOTAL DUTIES PAID ON THE IMPORT. CERTAIN IMPORTS ARE ALSO LIABLE TO A VALUE ADDED TAX (VAT) AND A CONSUMPTION TAX. THESE TAXES ALSO APPLY TO LOCALLY PRODUCED ITEMS. VAT RATES HAVE BEEN CONSOLIDATED INTO A SINGLE RATE OF 18 PERCENT. CONSUMPTION TAX RATES CAN

VARY FROM 10 TO AS HIGH AS 700 PERCENT AND ARE ALSO PAYABLE ON SIMILAR LOCALLY PRODUCED ITEMS.

IMPORT LICENSES

TUNISIA STILL HAS NON-TARIFF BARRIERS SUCH AS IMPORT LICENSES OR QUOTAS ON CERTAIN PRODUCTS, PARTICULARLY CONSUMER GOODS THAT COMPETE AGAINST LOCALLY PRODUCED EQUIVALENTS MANUFACTURED BY "DEVELOPING" INDUSTRIES, SUCH AS TEXTILES. ANOTHER MAJOR CATEGORY AFFECTED BY THESE BARRIERS IS MOTOR VEHICLES, FOR WHICH THERE IS A STRONG LOCAL DEMAND THAT COULD ADVERSELY AFFECT THE SHORT-TERM BALANCE OF PAYMENTS. FOR SUCH PRODUCTS AN IMPORTER OF AN INDIVIDUAL VEHICLE MUST OBTAIN A LICENSE FROM THE MINISTRY OF COMMERCE SPECIFYING THE PRODUCT, QUANTITY AND AMOUNT OF FOREIGN EXCHANGE NEEDED. WITHOUT THIS LICENSE A BANK WILL NOT AUTHORIZE THE FOREIGN CURRENCY TRANSACTION. ALTERNATIVELY, AUTOMOBILE IMPORTERS REPRESENTING MANUFACTURERS SUCH AS VOLKSWAGEN AND RENAULT ARE AWARDED QUOTAS BASED ON THE EXPORT REVENUE THEY GENERATE (VIA CAR PARTS OR OTHER EXPORT INDUSTRIES). CERTAIN IMPORTED PRODUCTS, INCLUDING WEAPONS OR SECURITY-RELATED MATERIALS AND HEALTH-CARE PRODUCTS, REMAIN STRICTLY CONTROLLED.

EXPORT CONTROLS

EXPORT CONTROLS EXIST ON SOME LIMITED PRODUCTS. THESE INCLUDE ITEMS CONCERNING SECURITY, PUBLIC ORDER, HYGIENE, HEALTH, MORALITY, PROTECTION OF FLORA AND FAUNA, AND CULTURAL HERITAGE. PRIOR AUTHORIZATION IS REQUIRED FOR EXPORT OF GOODS IN THESE AREAS. OTHER PRODUCTS NOT IN THESE CATEGORIES MAY BE SUBJECT TO TECHNICAL CONTROL TO ENSURE THAT THEY MEET INTERNATIONAL STANDARDS, OR THE STANDARDS OF THE IMPORTING COUNTRY.

IMPORT/EXPORT DOCUMENTATION

OTHER THAN FOR THE PREVIOUSLY MENTIONED RESTRICTIONS, NO SPECIFIC DOCUMENTATION IS REQUIRED. IMPORTERS OBTAIN HARD CURRENCY FOR PAYMENT BY PRESENTING A PRO FORMA INVOICE TO THEIR COMMERCIAL BANK. HOWEVER, TUNISIAN LAW STRICTLY PROHIBITS THE FLOW OF CURRENCY OUT OF TUNISIA AS PAYMENT FOR IMPORTS BEFORE PRESENTATION TO THE ISSUING BANK OF DOCUMENTATION ESTABLISHING THAT THE MERCHANDISE IS IN THE CUSTODY OF TUNISIAN CUSTOMS. U.S. EXPORTERS HAVE USED

CONFIRMED, IRREVOCABLE LETTERS OF CREDIT AND LETTERS OF CREDIT AUTHORIZING "PAYMENT AGAINST DOCUMENTS" IN PAST TRANSACTIONS.

TEMPORARY ENTRY

OFFSHORE ENTERPRISES ARE ALLOWED TEMPORARY ENTRY OF GOODS. GOODS ARE ALLOWED LIMITED DUTY FREE ENTRY INTO TUNISIA FOR TRANSFORMATION AND REEXPORT. FACTORIES IN THIS AREA ARE CONSIDERED BONDED WAREHOUSES AND HAVE THEIR OWN ASSIGNED CUSTOMS PERSONNEL. GOODS MAY ALSO BE GRANTED TEMPORARY ENTRY FOR USE IN TRADE SHOWS.

LABELING, MARKING REQUIREMENTS

THE CONSUMER PROTECTION LAW OF 1992 ESTABLISHED STANDARD LABELING AND MARKING REQUIREMENTS. HOWEVER, THESE REGULATIONS ARE NOT FULLY ENFORCED FOR LOCALLY MADE ITEMS. GOODS NOT SPECIFIED UNDER EXISTING TUNISIAN REGULATIONS MUST MEET INTERNATIONAL STANDARDS.

PROHIBITED IMPORTS

IMPORTS OF EXPLOSIVES, MILITARY-, AND SECURITY-RELATED EQUIPMENT ARE TIGHTLY CONTROLLED. IMPORTS ARE ONLY ALLOWED UNDER LICENSE. NARCOTICS AND PORNOGRAPHIC ITEMS ARE STRICTLY FORBIDDEN.

STANDARDS

TUNISIA IS CURRENTLY EMBRACING ISO 9000 STANDARDS. THE NATIONAL INSTITUTE FOR STANDARDIZATION AND INDUSTRIAL PROPERTY (INNORPI) IS RESPONSIBLE FOR ESTABLISHING NATIONAL STANDARDS AND HAS INSTITUTED ISO 14000 CERTIFICATION PROCEDURES. EUROPEAN UNION CONSULTANTS, WORKING WITH INNORPI, COMPLETED A THREE-YEAR PROGRAM TO FULLY DEVELOP ISO 9000 NORMS IN 1998 IN CONJUNCTION WITH THE GOVERNMENT'S MISE A NIVEAU PROGRAM. SEVERAL FIRMS IN THE INDUSTRIAL SECTOR HAVE ALREADY ACHIEVED ISO 9000 OR 9002 CERTIFICATION.

FREE TRADE ZONES

TUNISIA HAS TWO FREE TRADE ZONES, ONE IN THE NORTH AT BIZERTE AND THE OTHER IN THE SOUTH AT ZARZIS. THE LAND IS STATE

OWNED, BUT MANAGED BY A PRIVATE COMPANY. COMPANIES SETTING UP IN THE FREE TRADE ZONES (FTZ) ARE EXEMPT FROM MOST TAXES AND CUSTOMS DUTIES AND BENEFIT FROM SPECIAL TAX RATES. INCENTIVES FOR COMPANIES IN THE FTZS ARE DISCUSSED IN DETAIL IN SECTION VII.

MEMBERSHIP IN FREE TRADE ARRANGEMENTS

TUNISIA IS A MEMBER OF THE ARAB MAGHREB UNION (TUNISIA, ALGERIA, MOROCCO, MAURITANIA, LIBYA), WHICH NOMINALLY ALLOWS DUTY FREE TRADE AMONG MEMBERS BUT FOR WHICH BARRIERS TO TRADE REMAIN. IT ALSO HAS AN ASSOCIATE MEMBERSHIP WITH THE EUROPEAN UNION, ALLOWING PREFERENTIAL ACCESS FOR MOST TUNISIA EXPORTS, EXCEPT CERTAIN TEXTILE AND AGRICULTURAL PRODUCTS. TUNISIA FORMALLY RATIFIED A FREE TRADE AGREEMENT WITH THE EUROPEAN UNION IN JUNE 1996. THE AGREEMENT WILL, OVER A 12-YEAR PERIOD, GRADUALLY LOWER TARIFFS TO ZERO. TUNISIA RECEIVES ASSISTANCE FROM THE EUROPEAN UNION FOR ITS LOCAL INDUSTRIES DURING THE TRANSITION PERIOD.

CUSTOMS CONTACT INFORMATION

GENERAL HABIB SAID, DIRECTOR GENERAL
BUREAU OF CUSTOMS
RUE ICH-BILIA
TUNIS
TARIFFS DEPARTMENT
TEL: 216-1-333.700
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VII. INVESTMENT CLIMATE

OPENNESS TO FOREIGN INVESTMENT

THE TUNISIAN GOVERNMENT ACTIVELY ENCOURAGES SELECTED FOREIGN DIRECT INVESTMENT (FDI), PARTICULARLY FOR EXPORT-ORIENTED INDUSTRY. THE TUNISIAN GOVERNMENT DOES SCREEN POTENTIAL FOREIGN INVESTMENT TO MINIMIZE THE IMPACT OF THE INVESTMENT ON DOMESTIC COMPETITORS AND EMPLOYMENT, AND TO MINIMIZE FOREIGN CURRENCY OUTFLOWS. TUNISIAN GOVERNMENT OFFICIALS HAVE IDENTIFIED RESTAURANTS, REAL ESTATE, RETAIL

DISTRIBUTION, AND OTHER SERVICE INDUSTRIES AS AMONG THE AREAS IN WHICH FOREIGN INVESTMENT IS DISCOURAGED. FOR ONSHORE COMPANIES OUTSIDE OF THE TOURISM SECTOR, GOVERNMENT AUTHORIZATION IS REQUIRED IF THE FOREIGN CAPITAL SHARE EXCEEDS 49 PERCENT. FOREIGN INVESTORS ARE DENIED NATIONAL TREATMENT IN THE AGRICULTURE SECTOR. FOREIGN OWNERSHIP OF AGRICULTURAL LAND IS PROHIBITED, ALTHOUGH LAND CAN BE SECURED THROUGH LONG-TERM (UP TO 40 YEARS) LEASE. HOWEVER, THE GOVERNMENT ACTIVELY PROMOTES FOREIGN INVESTMENT IN AGRICULTURAL EXPORT PROJECTS.

THE PRIVATIZATION PROGRAM HAD CONSISTED LARGELY OF THE SALE OF THE SMALLEST AND LEAST VIABLE PUBLIC SECTOR ENTERPRISES UNTIL 1998 WHEN TWO LARGE CEMENT FACTORIES WERE PRIVATIZED THROUGH SALE TO SPANISH AND PORTUGUESE INVESTORS. IN TANDEM WITH PRIVATIZATIONS PITCHED PRIMARILY TO FOREIGN INVESTORS, THE GOVERNMENT CONTINUES TO PRIVATIZE SMALLER ASSETS THROUGH SALES TO PRE-SELECTED TUNISIAN BUYERS WITH STRICT TERMS OF SALE (RELATING TO EMPLOYMENT LEVELS, OPERATIONS, AND FUTURE SALE OF SOME OR ALL OF THE ASSETS). PUBLIC OFFERINGS OF SHARES OF LARGE STATE INDUSTRIES (E.G., AIRLINE, BEVERAGE) HAVE BEEN STALLED, PARTLY BY THE UNDERDEVELOPMENT OF THE SECONDARY MARKET. HOWEVER, THE GOVERNMENT HAS LOOSENED RESTRICTIONS ON DIRECT FOREIGN PARTICIPATION IN THE TRADING, NOW ALLOWING UP TO 49 PERCENT OF THE SHARES OF A PUBLICLY TRADED COMPANY TO BE FOREIGN HELD. IN COOPERATION WITH THE WORLD BANK, THE GOVERNMENT HAS REAFFIRMED ITS COMMITMENT TO PRIVATIZE LARGER ASSETS, WHICH BEGAN IN THE CONSTRUCTION MATERIALS INDUSTRY. THREE ADDITIONAL CEMENT FACTORIES ARE EXPECTED TO BE OFFERED FOR SALE IN 1999.

THE MOST SIGNIFICANT STEP IN THE PRIVATIZATION PROGRAM WAS THE GOVERNMENT'S 1996 LAUNCH OF AN INTERNATIONAL TENDER FOR TUNISIA'S FIRST PRIVATE UTILITY, AN INDEPENDENT POWER PRODUCER (A BUILD-OWN-OPERATE POWER GENERATION FACILITY). AWARDED TO AN AMERICAN-LED INTERNATIONAL CONSORTIUM IN 1998, THE RADES II IPP PROJECT IS EXPECTED TO BOOST THE ROLE OF B-O-O OR B-O-T (BUILD-OPERATE-TRANSFER) SCHEMES IN POWER GENERATION, WASTE MANAGEMENT, TRANSPORT, AND MARITIME FACILITIES. FOREIGN FIRMS ARE ENCOURAGED TO COMPETE FOR THESE TENDERS.

THERE IS NO EVIDENCE OF CONSISTENT DISCRIMINATION AGAINST FOREIGN INVESTORS EITHER AT THE TIME OF THE INITIAL

INVESTMENT OR LATER, EXCEPT IN THOSE SECTORS (AS NOTED ABOVE) WHERE THE GOVERNMENT DISCOURAGES FOREIGN INVESTMENT. ALTHOUGH RARELY ENFORCED, TUNISIAN LAW LIMITS THE PERIOD OF CONSECUTIVE YEARS OF RESIDENCE BY FOREIGN EMPLOYEES TO A MAXIMUM OF TWO YEARS. THE BUREAUCRATIC PROCEDURES FOR RENEWING EXPATRIATE RESIDENCE AND WORK PERMITS ARE LENGTHY AND CUMBERSOME, IN MANY CASES REQUIRING UP TO EIGHT MONTHS TO RENEW WHAT IS NORMALLY AN ANNUAL PERMIT. IN PRACTICE HOWEVER, INVESTORS ON A CASE-BY-CASE BASIS OFTEN STAY BEYOND THE TWO YEAR MAXIMUM, AND RECEIVE RENEWALS GOOD FOR UP TO FIVE YEARS RATHER THAN ONE. IN JANUARY 1999, THE MINISTRY OF INTERNATIONAL COOPERATION AND FOREIGN INVESTMENT OPENED A SPECIAL OFFICE TO ASSIST FOREIGN INVESTORS IN OBTAINING THESE PERMITS.

CONVERSION AND TRANSFER POLICIES

THE TUNISIAN DINAR IS NOW CONVERTIBLE FOR CURRENT ACCOUNT TRANSACTIONS (I.E., MOST BONA FIDE TRADE AND INVESTMENT OPERATIONS). FULL CONVERTIBILITY IS NOT EXPECTED IN THE MEDIUM TERM. THE DINAR IS STILL SUBJECT TO CERTAIN RESTRICTIONS. IT IS ILLEGAL TO TAKE TUNISIAN BANK NOTES AND COINS IN OR OUT OF THE COUNTRY. CENTRAL BANK AUTHORIZATION IS STILL NEEDED FOR SOME FOREIGN EXCHANGE OPERATIONS, INCLUDING RESIDENT FOREIGN COMPANY PAYMENT FROM LOCAL REVENUE FOR FOREIGN-ORIGIN GOODS OR SERVICES. THERE IS NO LIMIT TO THE AMOUNT OF FOREIGN CURRENCY THAT VISITORS CAN BRING INTO TUNISIA AND EXCHANGE FOR TUNISIAN DINARS. THE UNUSED BALANCE OF SUCH FOREIGN CURRENCY MAY BE TAKEN OUT OF THE COUNTRY. AMOUNTS EXCEEDING THE EQUIVALENT OF TD 1,000 (APPROXIMATELY USD 900) MUST BE DECLARED AT THE PORT OF ENTRY.

NONRESIDENTS ARE EXEMPT FROM MOST EXCHANGE REGULATIONS. FOREIGN INVESTORS MAY TRANSFER RETURNS ON DIRECT OR PORTFOLIO INVESTMENTS AT ANY TIME AND WITHOUT PRIOR AUTHORIZATION. THIS APPLIES TO BOTH PRINCIPAL AND CAPITAL IN THE FORM OF DIVIDENDS OR INTEREST. UNDER FOREIGN CURRENCY REGULATIONS, NONRESIDENT COMPANIES ARE DEFINED AS HAVING:

- NONRESIDENT INDIVIDUALS WHO OWN AT LEAST 66 PERCENT OF THE CAPITAL; AND,
- CAPITAL FINANCED THROUGH IMPORTED FOREIGN CURRENCY.

THE DINAR IS TRADED ON AN INTRA-BANK MARKET, ESTABLISHED IN 1994. TRADING OPERATES AROUND A "FIX" ESTABLISHED BY THE CENTRAL BANK (BASED UPON A "BASKET" OF THE EURO PLUS FIVE CURRENCIES: GERMAN MARKS, FRENCH FRANCS, U.S. DOLLARS, JAPANESE YEN, AND ITALIAN LIRA). THE DOLLAR/DINAR VALUE FLUCTUATES ON A DAILY BASIS, BUT IS ROUGHLY EQUIVALENT TO ONE TO ONE. TUNISIA HAS PERMITTED RESTRICTED SPOT MARKET TRADING OF FOREIGN CURRENCY SINCE 1995.

EXPROPRIATION AND COMPENSATION

THERE WAS ONE CASE IN 1995 OF U.S. COMMERCIAL PROPERTY BEING SEIZED BY THE TUNISIAN GOVERNMENT WITHOUT COMPENSATION, IN CONNECTION WITH A CUSTOMS FRAUD CASE. THE U.S. COMPANY SETTLED THE MATTER WITHOUT COMPENSATION. THERE ARE TWO OUTSTANDING CASES CONCERNING EXPROPRIATION OF RESIDENTIAL PROPERTY. THESE RELATE TO TITLES REGISTERED TO FOREIGNERS BEFORE 1969. NO POLICY CHANGES ON EXPROPRIATION ARE ANTICIPATED IN THE NEXT YEAR. THE GOVERNMENT DOES EXPROPRIATE PROPERTY BY EMINENT DOMAIN. JUST COMPENSATION MAY BE OFFERED AT THE TIME OF EXPROPRIATION. IN EXPROPRIATION BY EMINENT DOMAIN, THERE IS NO EVIDENCE OF DISCRIMINATION AGAINST U.S. AND FOREIGN COMPANIES OR INDIVIDUALS. LOCAL OWNERSHIP IS REQUIRED IN THE CASE OF AGRICULTURAL LAND.

DISPUTE SETTLEMENT

THE TUNISIAN GOVERNMENT'S LONG-STANDING RECORD ON SETTLEMENT DISPUTES WAS MARRED IN 1995 BY THE SEIZURE OF A U.S. COMMERCIAL SHIPMENT WITHOUT COMPENSATION. EFFORTS TO SECURE DOCUMENTATION OR EXPLANATION FROM THE GOVERNMENT FOR ITS ACTION HAVE BEEN UNSUCCESSFUL. TWO SEPARATE AMERICAN INVESTORS HAVE COMPLAINED THAT PRIVATE SECTOR ADVERSARIES SOUGHT GOVERNMENT ENFORCEMENT OF THE TWO-YEAR EXPATRIATE RESIDENCY LIMIT TO COMPEL THE INVESTORS' AGREEMENT TO UNFAVORABLE SETTLEMENTS OF LEGAL CASES. IN 1997, A THIRD U.S. INVESTOR WAS PREVENTED FROM EXERCISING HIS MANAGERIAL AUTHORITY AS THE MAJORITY SHAREHOLDER BY A TUNISIAN COURT RULING; THIS CASE IS STILL UNDER APPEAL. THERE IS NO PATTERN OF SIGNIFICANT INVESTMENT DISPUTES INVOLVING U.S. OR OTHER FOREIGN INVESTORS. HOWEVER, TO AVOID MISUNDERSTANDINGS, CONTRACTS FOR INVESTMENT PROJECTS SHOULD ALWAYS CONTAIN A CLAUSE DETAILING HOW EVENTUAL DISPUTES SHOULD BE HANDLED AND

THE APPLICABLE JURISDICTION. (POST IS AWARE OF ONE CASE IN WHICH A PARASTATAL COMPANY SUBMITTED A DISPUTE TO THE INTERNATIONAL COURT OF ARBITRATION AND AGREED TO ABIDE BY THE DECISION.) TUNISIA IS A MEMBER OF THE INTERNATIONAL CENTER FOR THE SETTLEMENT OF INVESTMENT DISPUTES AND IS A SIGNATORY TO THE 1958 NEW YORK CONVENTION ON THE RECOGNITION AND ENFORCEMENT OF FOREIGN ARBITRAL AWARDS.

THE TUNISIAN LEGAL SYSTEM IS BASED UPON THE FRENCH NAPOLEONIC CODE. THERE ARE MEANS TO ENFORCE PROPERTY AND CONTRACTUAL RIGHTS. ALTHOUGH THE TUNISIAN CONSTITUTION GUARANTEES THE INDEPENDENCE OF THE JUDICIARY. THE JUDICIARY IS NOT FULLY INDEPENDENT OF THE EXECUTIVE BRANCH. LOCAL LEGAL EXPERTS ASSERT THAT COURTS ARE SUSCEPTIBLE TO POLITICAL PRESSURE. THE TUNISIAN CODE OF CIVIL AND COMMERCIAL PROCEDURES DOES ALLOW FOR THE ENFORCEMENT OF FOREIGN COURT DECISIONS UNDER CERTAIN CIRCUMSTANCES. COMMERCIAL CASES INVOLVING U.S. FIRMS ARE RELATIVELY RARE. THOSE THAT HAVE OCCURRED IN THE PAST YEAR HAVE PROMPTED MULTIPLE COMPLAINTS FROM THE U.S. PARTIES ABOUT APPARENT EXTRALEGAL INFLUENCES ON THE OUTCOMES. IN GENERAL, HOWEVER, COMPLAINTS ABOUT THE TUNISIAN LEGAL SYSTEM FROM THE COMMERCIAL SECTOR CONCERN THE LENGTH, COMPLEXITY, AND OPACITY OF LEGAL PROCEDURES. SEVERAL U.S. FIRMS HAVE SUCCESSFULLY SOUGHT PATENT AND TRADEMARK PROTECTION THROUGH THE TUNISIAN COURTS, BUT THE CONCEPT AND APPLICATION OF INTELLECTUAL PROPERTY PROTECTION ARE STILL IN THE EARLY STAGES.

PERFORMANCE REQUIREMENTS / INCENTIVES

PERFORMANCE REQUIREMENTS ARE GENERALLY LIMITED TO INVESTMENT IN THE PETROLEUM SECTOR OR IN THE RELATIVELY NEW AREA OF PRIVATE SECTOR INFRASTRUCTURE DEVELOPMENT. THESE REQUIREMENTS TEND TO BE SPECIFIC TO THE CONCESSION OR OPERATING AGREEMENT (E.G., DRILLING A CERTAIN NUMBER OF WELLS OR PRODUCING A CERTAIN AMOUNT OF ELECTRICITY). CERTAIN INVESTMENT PROJECTS OUTSIDE THE ENERGY SECTOR HAVE BEEN RESTRICTED IN TERMS OF LOCATION AND MARKETS. MORE BROADLY, THE PREFERENTIAL STATUS (OFFSHORE, FREE TRADE ZONE) CONFERRED UPON SOME INVESTMENTS ARE LINKED TO BOTH FOREIGN PERCENTAGE OF CORPORATE OWNERSHIP AND LIMITS ON PRODUCTION FOR THE DOMESTIC MARKET.

THE TUNISIAN INVESTMENT CODE DIVIDES POTENTIAL INVESTMENTS INTO TWO CATEGORIES: (1) OFF-SHORE, IN WHICH FOREIGN CAPITAL ACCOUNTS FOR AT LEAST 66 PERCENT OF EQUITY AND AT LEAST 80 PERCENT OF PRODUCTION IS DESTINED FOR THE EXPORT MARKET, AND (2) ON-SHORE, IN WHICH FOREIGN EQUITY IS LIMITED TO 49 PERCENT IN MOST NON-INDUSTRIAL PROJECTS. (ON-SHORE INDUSTRIAL INVESTMENT CAN HAVE UP TO 100 PERCENT FOREIGN EQUITY.) IT IS IMPORTANT TO NOTE THAT OFF-SHORE COMPANIES DO NOT AUTOMATICALLY HAVE THE FREEDOM TO SELL UP TO 20 PERCENT OF THEIR PRODUCTION TO THE LOCAL MARKET. THE TUNISIAN GOVERNMENT RETAINS THE AUTHORITY TO DECIDE WHAT PERCENTAGE -- UP TO A MAXIMUM OF 20 PERCENT -- WILL BE ALLOWED ACCESS TO THE LOCAL MARKET. THE CENTRAL BANK HAS ALSO BEGUN, AS OF 1998, A THOROUGH REVIEW OF THE LEGAL STATUS OF FOREIGN COMPANIES IN TUNISIA AND THEIR ADHERENCE TO FOREIGN EXCHANGE TRANSACTION REGULATIONS. UNDER TUNISIAN LAW, ONLY NON-RESIDENT COMPANIES (I.E. OFFSHORE COMPANIES THAT WERE ESTABLISHED UNDER AN INVESTMENT INCENTIVE REGIME) MAY LEGALLY COLLECT REVENUE IN FOREIGN CURRENCY.

TUNISIA ADOPTED THE INVESTMENT INCENTIVES LAW IN JANUARY 1994 TO PROVIDE A BROAD RANGE OF INCENTIVES FOR FOREIGN INVESTORS. THIS LAW AND SUBSEQUENT RELATED PROVISIONS OFFER:

-- TAX RELIEF ON REINVESTED REVENUES AND PROFITS;

-- VAT LIMITATION TO 10 PERCENT ON MANY IMPORTED CAPITAL GOODS;

-- OPTIONAL DEPRECIATION SCHEDULES FOR PRODUCTION EQUIPMENT.

FURTHER BENEFITS ARE AVAILABLE FOR INVESTMENTS OF A SPECIFIC NATURE. COMPANIES PRODUCING AT LEAST 80 PERCENT FOR THE EXPORT MARKET, FOR EXAMPLE, RECEIVE:

-- FULL TAX EXEMPTION ON PROFITS FOR THE FIRST TEN YEARS, 50 PERCENT REDUCTION IN TAXES ON PROFITS THEREAFTER;

-- FULL TAX EXEMPTION ON REINVESTED PROFITS AND REVENUE;

-- DUTY-FREE IMPORT OF CAPITAL GOODS THAT HAVE NO LOCAL EQUIVALENTS;

-- FULL TAX AND DUTY EXEMPTION ON RAW MATERIALS, SEMI-FINISHED GOODS AND SERVICES NECESSARY FOR THE BUSINESS.

LARGE INVESTMENTS THAT HAVE HIGH JOB CREATION POTENTIAL MAY BENEFIT, UNDER CERTAIN CONDITIONS TO BE DETERMINED BY THE HIGH COMMISSION ON INVESTMENT, FROM THE USE OF STATE-OWNED LAND FOR A SYMBOLIC TUNISIAN DINAR (APPROXIMATELY \$0.85). INVESTORS WHO PURCHASE COMPANIES IN FINANCIAL DIFFICULTY MAY ALSO BENEFIT FROM CERTAIN CLAUSES OF THE INVESTMENT CODE, TO BE DETERMINED ON A CASE-BY-CASE BASIS.

ADDITIONAL INCENTIVES ARE AVAILABLE TO PROMOTE INVESTMENT IN DESIGNATED REGIONAL INVESTMENT ZONES IN ECONOMICALLY DEPRESSED AREAS OF THE COUNTRY, AND THROUGHOUT THE COUNTRY IN THE FOLLOWING SECTORS: HEALTH, EDUCATION, TRAINING, TRANSPORTATION, ENVIRONMENTAL PROTECTION, WASTE TREATMENT, AND RESEARCH AND DEVELOPMENT IN TECHNOLOGICAL FIELDS.

FOREIGN COMPANIES RESIDENT IN TUNISIA FACE A NUMBER OF RESTRICTIONS RELATED TO EMPLOYMENT AND COMPENSATION OF EXPATRIATE EMPLOYEES. TUNISIAN LAW LIMITS THE NUMBER OF EXPATRIATE EMPLOYEES ALLOWED (TO A MAXIMUM OF FOUR), REQUIRES LENGTHY RENEWAL PROCEDURES FOR ANNUAL WORK AND RESIDENCE PERMITS, AND (ALTHOUGH RARELY ENFORCED) LIMITS EXPATRIATE WORK PERMIT VALIDITY TO A TOTAL OF TWO YEARS. CENTRAL BANK REGULATIONS IMPOSE ADMINISTRATIVE BURDENS ON COMPANIES SEEKING TO PAY FOR TEMPORARY EXPATRIATE TECHNICAL ASSISTANCE FROM LOCAL REVENUE. (E.G., A FOREIGN RESIDENT COMPANY THAT BROUGHT IN AN ACCOUNTANT WOULD HAVE TO DOCUMENT THAT THE SERVICE WAS NECESSARY, FAIRLY VALUED, AND UNAVAILABLE IN TUNISIA PRIOR TO RECEIVING AUTHORIZATION TO TRANSFER PAYMENT FROM ITS OPERATIONS IN TUNISIA.)

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

TUNISIAN GOVERNMENT ACTIONS CLEARLY DEMONSTRATE A STRONG PREFERENCE FOR OFFSHORE, EXPORT-ORIENTED FDI. INVESTORS IN THAT CATEGORY ARE GENERALLY FREE TO ESTABLISH AND OWN BUSINESS ENTERPRISES AND ENGAGE IN MOST FORMS OF REMUNERATIVE ACTIVITY. INVESTMENT WHICH COMPETES WITH TUNISIAN FIRMS OR ON THE TUNISIAN MARKET, OR WHICH IS SEEN AS LEADING TO A NET OUTFLOW OF FOREIGN EXCHANGE IS OFTEN DISCOURAGED OR BLOCKED. ALTHOUGH THE GOVERNMENT HAS SIGNED AN AGREEMENT TO ESTABLISH

A FREE-TRADE REGIME WITH THE EUROPEAN UNION BY 2008, THE NET EFFECT THUS FAR OF THE INVESTMENT POLICY IS TO CONTINUE TO PROTECT TUNISIAN INDUSTRY FROM OUTSIDE COMPETITION WHILE ENHANCING TUNISIA'S EXPORT POTENTIAL.

ACQUISITION AND DISPOSAL OF BUSINESS ENTERPRISES CAN BE COMPLICATED UNDER TUNISIAN LAW, DEPENDING UPON THE NATURE OF THE CONTRACT SPECIFIC TO THE PROPOSED TRANSACTION. FOR EXAMPLE, DISPOSAL OF A BUSINESS INVESTMENT LEADING TO REDUCTIONS IN THE LABOR FORCE MAY BE CHALLENGED OR SUBJECTED TO SUBSTANTIAL EMPLOYEE COMPENSATION REQUIREMENTS. ACQUISITION OF AN ON-SHORE COMPANY MAY REQUIRE SPECIAL AUTHORITY FROM THE GOVERNMENT IF IT IS AN INDUSTRY SUBJECT TO LIMITS ON FOREIGN EQUITY SHAREHOLDING (SUCH AS IN THE SERVICE SECTOR).

PROTECTION OF PROPERTY RIGHTS

SECURED INTERESTS IN PROPERTY ARE BOTH RECOGNIZED AND ENFORCED IN TUNISIA. MORTGAGES AND LIENS ARE IN COMMON USE. TUNISIA IS A MEMBER OF THE WORLD INTELLECTUAL PROPERTY ORGANIZATION, AND HAS SIGNED THE UNCTAD AGREEMENT ON THE PROTECTION OF PATENTS AND TRADEMARKS. THE AGENCY RESPONSIBLE FOR PATENTS AND TRADEMARKS IS THE NATIONAL INSTITUTE FOR STANDARDIZATION AND INDUSTRIAL PROPERTY (INNORPI). FOREIGN PATENTS AND TRADEMARKS SHOULD BE REGISTERED WITH INNORPI. TUNISIA'S PATENT AND TRADEMARK LAWS ARE DESIGNED TO PROTECT ONLY OWNERS DULY REGISTERED IN TUNISIA. AMERICAN BUSINESSES ARE GUARANTEED TREATMENT EQUAL TO THAT AFFORDED TO TUNISIAN NATIONALS IN THE AREA OF PATENTS. THE EFFECTIVENESS OF TUNISIAN INTELLECTUAL PROPERTY PROTECTION HAS NOT YET BEEN ADEQUATELY TESTED BY AMERICAN FIRMS, BUT THE AMERICAN PHARMACEUTICAL RESEARCH ASSOCIATION ENTERED A COMPLAINT AGAINST TUNISIA IN 1998 AND 1999 FOR DENYING MARKET ACCESS AND PATENT PROTECTION FOR PHARMACEUTICAL PRODUCTS. REVISED LEGISLATION ON INDUSTRIAL OWNERSHIP IN TUNISIA IS STILL PENDING, BUT IS EXPECTED BEFORE THE WTO AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY (TRIPS) COMES INTO FORCE IN 2000.

COPYRIGHT PROTECTION IS THE RESPONSIBILITY OF THE ORGANISME TUNISIEN DE PROTECTION DES DROITS D'AUTEUR (OTPD), WHICH ALSO REPRESENTS FOREIGN COPYRIGHT ORGANIZATIONS. TUNISIAN COPYRIGHT LAW HAS BEEN UPDATED TO COVER MODERN TECHNIQUES,

BUT ITS APPLICATION AND ENFORCEMENT HAVE NOT BEEN CONSISTENT WITH FOREIGN COMMERCIAL EXPECTATIONS. PRINT, AUDIO, AND VIDEO MEDIA ARE CONSIDERED PARTICULARLY SUSCEPTIBLE TO COPYRIGHT INFRINGEMENT, AND THERE IS EVIDENCE OF WIDESPREAD COMMERCIAL SALES OF ILLEGAL PRODUCTS IN THESE MEDIA.

TRADEMARK PIRATING (BOTH THROUGH IMPORTS AND LOCAL MANUFACTURE) EXISTS ON A RELATIVELY SMALL SCALE, BUT APPEARS TO BE INCREASING. IT IS LARGELY A CONCERN IN THE AREAS OF CLOTHING, SUNGLASSES, SHOES, CASSETTES, VIDEOS AND COMPUTER SOFTWARE. CLOSE IMITATIONS OF WELL-KNOWN FOREIGN BRANDS AND TRADE NAMES ARE ALSO FOUND ON THE TUNISIAN MARKET, SUFFICIENTLY SIMILAR IN CHARACTERISTICS TO ENSURE LEGAL PENALTIES WERE THEY UNDER U.S. JURISDICTION.

ROYALTY PAYMENTS MUST BE APPROVED BY RELEVANT GOVERNMENT MINISTRIES IN CONSULTATION WITH THE CENTRAL BANK ON A CASE-BY-CASE BASIS. APPROVAL OF ROYALTY PAYMENTS HAS BEEN RARE IN RECENT YEARS. RATES REFLECT THE ESTIMATED VALUE OF THE TECHNOLOGY INVOLVED AND THE DURATION OF THE PARTICULAR CONTRACT.

TRANSPARENCY OF THE REGULATORY SYSTEM

THE TUNISIAN GOVERNMENT HAS ADOPTED POLICIES DESIGNED TO PROMOTE FOREIGN INVESTMENT AND TO PREPARE TUNISIAN INDUSTRY FOR FREE COMPETITION WITH FOREIGN MARKETS. ALTHOUGH THE 1994 INVESTMENT CODE SUBSTANTIALLY IMPROVED, STANDARDIZED, AND CODIFIED INCENTIVES FOR FOREIGN INVESTORS, SEVERAL ASPECTS OF EXISTING TAX AND LABOR LAW REMAIN IMPEDIMENTS TO EFFICIENT BUSINESS OPERATIONS. AMONG THE LATTER ARE GREATLY INCREASED AND COMPLEX TARIFF SCHEDULES AND UNCLEAR REQUIREMENTS CONCERNING THE DISMISSAL OF EMPLOYEES.

BUREAUCRATIC PROCEDURES, WHILE SLOWLY IMPROVING IN SOME AREAS, REMAIN CUMBERSOME AND TIME-CONSUMING. FOREIGN EMPLOYEE WORK PERMITS, COMMERCIAL OPERATING LICENSE RENEWALS, INFRASTRUCTURE-RELATED SERVICES, AND CUSTOMS CLEARANCE FOR IMPORTED GOODS ARE USUALLY CITED AS THE LENGTHIEST AND MOST OPAQUE OF THE NECESSARY PROCEDURES IN THE LOCAL BUSINESS ENVIRONMENT.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

THE MOBILIZATION AND ALLOCATION OF INVESTMENT CAPITAL ARE STILL HAMPERED BY THE DIFFICULTIES IN THE STOCK MARKET AND THE UNDERDEVELOPED NATURE OF THE LOCAL FINANCIAL SYSTEM. HOWEVER, CONDITIONS MAY CHANGE OVER THE NEXT THREE YEARS IN ANTICIPATION OF THE OPENING OF THE FINANCIAL SECTOR TO FOREIGN COMPETITION IN 2001 AS PART OF THE TUNISIA-EU FREE TRADE ACCORD.

CAPITAL CONTROLS ARE STILL IN PLACE. CAPITAL INVESTORS ARE PERMITTED TO PURCHASE UP TO 49 PERCENT OF THE SHARES IN RESIDENT FIRMS (THROUGH AUTHORIZED BROKERS) OR TO PURCHASE INDIRECT INVESTMENTS THROUGH ESTABLISHED MUTUAL FUNDS. CREDIT IS AVAILABLE LOCALLY TO FOREIGN INVESTORS, BUT SOME INDUSTRY OBSERVERS ASSERT THAT THERE HAD BEEN A WELL-ESTABLISHED COLLUSION AMONG THE PRINCIPAL BANKS TO SET COMMON INTEREST RATES. THIS HAS BEEN MITIGATED SINCE THE BEGINNING OF 1997 BY LARGE INCREASES IN THE LIQUIDITY OF THE FINANCIAL SYSTEM (A CONDITION THAT IS BEING CORRECTED). INTEREST IN STOCKS AND BONDS HAS WANED, AND THE STOCK MARKET STILL HAS DIFFICULTY ATTRACTING CAPITAL INVESTMENT. THIRTEEN COMMERCIAL BANKS, NINE DEVELOPMENT BANKS, EIGHT OFFSHORE BANKS, EIGHT LEASING COMPANIES, AND TWO MERCHANT BANKS OFFER A LIMITED VARIETY OF FINANCIAL SERVICES AND INSTRUMENTS.

IN THE LAST FIVE YEARS REGULATORY AND ACCOUNTING SYSTEMS HAVE BEEN BROUGHT MORE IN LINE WITH ACCEPTED INTERNATIONAL STANDARDS. TUNISIAN FIRMS QUOTED ON THE STOCK EXCHANGE ARE REQUIRED TO PUBLISH SEMIANNUAL CORPORATE REPORTS AUDITED BY A CERTIFIED PUBLIC ACCOUNTANT. MOST OF THE MAJOR GLOBAL ACCOUNTING FIRMS ARE REPRESENTED IN TUNISIA.

THE BANKING SYSTEM IS CONSIDERED GENERALLY SOUND AND IS IMPROVING AS THE CENTRAL BANK HAS BEGUN TO ENFORCE ADHERENCE TO INTERNATIONAL PRUDENTIAL NORMS FOR RESERVES AND DEBT. (TUNISIAN BANKS MUST MAINTAIN A MINIMUM CAPITAL TO RISK-WEIGHTED ASSETS RATIO OF FIVE PERCENT.) HOWEVER, MANY BANKS ARE THOUGHT TO HAVE SUBSTANTIAL AMOUNTS (UP TO 30 PERCENT) OF NON-PERFORMING OR DELINQUENT DEBT IN THEIR PORTFOLIOS, DESPITE THE STRICT NEW REQUIREMENTS. THE GOVERNMENT'S DOMINANT PRESENCE IN THE BANKING SECTOR -- IT IS THE CONTROLLING SHAREHOLDER IN TEN OF THE BANKS, WHICH ACCOUNT FOR 70 PERCENT OF THE CREDIT AND 55 PERCENT OF THE DEPOSITS -- HAS RETARDED LIBERALIZATION. THE GOVERNMENT ESTABLISHED IN 1998 QUASI-STATAL ENTITIES (SOCIÉTÉS DE RECOUVREMENT DE

CREANCES) THAT TO BUY THE NON- OR UNDER-PERFORMING DEBT OF COMMERCIAL BANKS, PRESUMABLY AT A DISCOUNT, TO IMPROVE THE BALANCE SHEETS OF INDIVIDUAL BANKS; THERE IS NO INFORMATION YET AVAILABLE ON THE SUCCESS OF THIS MEASURE. THE ESTIMATED TOTAL ASSETS OF THE COUNTRY'S FIVE LARGEST BANKS ARE \$8.87 BILLION (1997). THERE IS INCREASING MERGER AND ACQUISITION ACTIVITY IN TUNISIA, PARTICULARLY IN THE BANKING SECTOR. PLANS FOR THREE BANK MERGERS HAVE BEEN ANNOUNCED SINCE 1998; ONE IS CURRENTLY UNDERWAY. SUCH CONSOLIDATION WOULD MOVE TUNISIA CLOSER TO MEETING ITS FINANCIAL SECTOR RESTRUCTURING GOALS. HOSTILE TAKEOVERS ARE UNCOMMON.

POLITICAL VIOLENCE

TUNISIA IS A STABLE COUNTRY. OVER THE PAST FEW YEARS THERE HAVE BEEN NO INCIDENTS INVOLVING POLITICALLY MOTIVATED DAMAGE TO ECONOMIC PROJECTS OR INSTALLATIONS.

CORRUPTION

TUNISIA'S PENAL CODE DEVOTES ELEVEN ARTICLES TO DEFINING AND CLASSIFYING CORRUPTION AND TO ASSIGNING CORRESPONDING PENALTIES (INCLUDING FINES AND IMPRISONMENT). SEVERAL OTHER LEGAL TEXTS ALSO ADDRESS BROADER CONCEPTS OF CORRUPTION TO INCLUDE VIOLATIONS OF THE COMMERCIAL OR LABOR CODES, RANGING FROM SPECULATIVE FINANCIAL PRACTICES TO GIVING OR ACCEPTING BRIBES. INFORMATION ON THE APPLICATION OF THESE LAWS OR THEIR EFFECTIVENESS IN COMBATING CORRUPTION IS NOT AVAILABLE. ANECDOTAL REPORTS FROM THE TUNISIAN BUSINESS COMMUNITY AND U.S. BUSINESSES WITH REGIONAL EXPERIENCE SUGGEST THAT CORRUPTION EXISTS, BUT IS NOT AS PERVASIVE AS THAT FOUND IN NEIGHBORING COUNTRIES.

TUNISIAN LAW PROHIBITS EITHER GIVING OR RECEIVING A BRIBE. PENALTIES RANGE FROM ONE TO TEN YEARS IMPRISONMENT AND FINES UP TO TWICE THE AMOUNT OF THE BRIBE. (MEMBERS OF THE JUDICIARY CONVICTED OF INVOLVEMENT IN BRIBERY CAN BE IMPRISONED FOR LIFE.) THE PROHIBITION EXTENDS TO BRIBES TO FOREIGN OFFICIALS, WHICH, BEING ILLEGAL, ARE NOT TAX DEDUCTIBLE.

THE MAJORITY OF U.S. FIRMS INVOLVED IN THE TUNISIAN MARKET HAVE NOT GENERALLY IDENTIFIED CORRUPTION AS A PRIMARY OBSTACLE TO FOREIGN DIRECT INVESTMENT. SOME POTENTIAL

INVESTORS HAVE ASSERTED THAT COMPETITION AND CORRUPTION AMONG PROSPECTIVE LOCAL PARTNERS HAVE DELAYED OR BLOCKED SPECIFIC INVESTMENT PROPOSALS.

THERE ARE NO STATISTICS SPECIFIC TO CORRUPTION. THE TUNISIAN MINISTRY OF COMMERCE PUBLISHES INFORMATION ON CASES INVOLVING THE INFRINGEMENT OF THE COMMERCIAL CODE, BUT THESE INCIDENTS RANGE FROM NON-CONFORMING LABELING PROCEDURES TO PRICE/SUPPLY SPECULATION. THE PRINT MEDIA REPORTS ABUSES OF FIDUCIARY AUTHORITY BY PUBLIC OFFICIALS ONLY ON RARE OCCASIONS.

THE GOVERNMENT'S RECENT EFFORTS TO COMBAT CORRUPTION HAVE CONCENTRATED UPON ENSURING THAT PRICE CONTROLS ARE RESPECTED, ENHANCING COMMERCIAL COMPETITION IN THE DOMESTIC MARKET, AND HARMONIZING TUNISIAN LAWS WITH THEIR COUNTERPARTS IN THE EUROPEAN UNION. THE PUBLIC SECTOR MARKET IS GOVERNED BY A COMPREHENSIVE LAW (ENACTED IN 1989) THAT SOUGHT TO REGULATE EACH PHASE OF PUBLIC PROCUREMENT AND ESTABLISHED A "HIGHER MARKET COMMISSION" TO SUPERVISE THE TENDER AND AWARD OF MAJOR CONTRACTS.

THE MINISTRY OF COMMERCE'S "COMPETITIVENESS COUNCIL" AND ITS RELATED REGIONAL ARMS (BRIGADES ECONOMIQUES) HAVE PRIMARY RESPONSIBILITY FOR IDENTIFYING AND REDUCING CORRUPTION. A VARIETY OF OTHER BODIES EXIST WITHIN EACH INSTITUTION OF THE GOVERNMENT TO OVERSEE THE EXECUTION OF PUBLIC SECTOR CONTRACTS. THE VALUE OF THE CONTRACT DETERMINES THE LEVEL AND IDENTITY OF THE RESPONSIBLE OVERSIGHT COMMITTEE, WITH THE LARGEST PROJECTS FALLING UNDER THE PURVIEW OF THE HIGHER MARKET COMMISSION (CSM). THE CSM REPORTS DIRECTLY TO THE PRIME MINISTER'S OFFICE. THE EMBASSY HAS NO PUBLIC, DOCUMENTED INFORMATION ON INDIVIDUALS CONVICTED OF CORRUPTION (WITH THE RARE EXCEPTION OF THE NEWSPAPER STORIES, AS MENTIONED ABOVE).

BILATERAL INVESTMENT AGREEMENTS

A BILATERAL INVESTMENT TREATY BETWEEN TUNISIA AND THE UNITED STATES TOOK EFFECT IN 1991. A 1985 TREATY (AND 1989 PROTOCOL) GUARANTEE U.S. FIRMS FREEDOM FROM DOUBLE TAXATION.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

OPIC IS ACTIVE IN THE TUNISIAN MARKET AND PROVIDES POLITICAL RISK INSURANCE AND OTHER SERVICES TO A VARIETY OF U.S. COMPANIES. OPIC SUPPORTS PRIVATE U.S. INVESTMENT IN TUNISIA AND HAS SPONSORED SEVERAL RECIPROCAL INVESTMENT MISSIONS. THE 1963 OPIC AGREEMENT WITH TUNISIA IS CURRENTLY UNDER REVISION TO REFLECT CHANGES IN BOTH LAW AND PRACTICE.

THE ESTIMATED ANNUAL U.S. DOLLAR VALUE OF LOCAL CURRENCY LIKELY TO BE USED BY THE EMBASSY IS ESTIMATED AT \$7 MILLION. THE AVERAGE EXCHANGE RATE IN 1998 WAS USD 1:1.114 TD. THE EXCHANGE RATE WILL LIKELY BE IN THE RANGE OF 1:1.12 TO 1:1.15 IN 1999.

LABOR

TUNISIAN LABOR IS READILY AVAILABLE. TUNISIA HAS A LABOR FORCE OF APPROXIMATELY 3.3 MILLION AND A NATIONAL LITERACY RATE OF OVER 70 PERCENT. ABOUT 90 PERCENT OF THE WORK FORCE UNDER 35 IS LITERATE. THE UNEMPLOYMENT RATE IS ABOUT 16 PERCENT, BUT ESTIMATES RANGE AS HIGH AS 25 PERCENT IN SOME SOUTHERN AND INTERIOR REGIONS. UNDEREMPLOYMENT IS A MORE SERIOUS CONCERN FOR TUNISIA'S OVERALL PRODUCTIVITY. THE RIGHT TO FORM A LABOR UNION IS PROTECTED BY LAW. THERE IS ONLY ONE NATIONAL LABOR CONFEDERATION, THE GENERAL UNION OF TUNISIAN WORKERS (UGTT), TO WHICH ALL UNIONS BELONG. THE UGTT CLAIMS ABOUT 15 PERCENT OF THE LABOR FORCE AS MEMBERS, ALTHOUGH MORE ARE COVERED BY UGTT CONTRACTS. WAGES AND WORKING CONDITIONS ARE ESTABLISHED THROUGH TRIENNIAL COLLECTIVE BARGAINING AGREEMENTS BETWEEN THE UGTT AND THE NATIONAL EMPLOYERS ASSOCIATION (UTICA). THESE AGREEMENTS SET INDUSTRY STANDARDS AND GENERALLY APPLY TO ABOUT 80 PERCENT OF THE PRIVATE SECTOR LABOR FORCE.

THE TUNISIAN GOVERNMENT PUTS A HIGH PRIORITY ON ENSURING THE MAXIMUM POSSIBLE EMPLOYMENT OPPORTUNITIES FOR ITS CITIZENS. THIS POLICY IS MANIFESTED IN A VARIETY OF FORMS, INCLUDING INCENTIVES FOR LABOR-INTENSIVE INVESTMENT, PROVISIONS IN THE TERMS OF SALE FOR STATE ENTERPRISES THAT FIX EMPLOYMENT LEVELS, AND THE ABSENCE OF ANY PREFERENCE FOR LABOR-SAVING TECHNOLOGY IN PUBLIC SECTOR TENDERS.

FOREIGN TRADE ZONES/FREE PORTS

TUNISIA HAS TWO FREE TRADE ZONES, ONE IN THE NORTH AT BIZERTE AND THE OTHER IN THE SOUTH AT ZARZIS. THE LAND IS STATE OWNED BUT MANAGED BY A PRIVATE COMPANY. COMPANIES SETTING UP OPERATION IN THE FREE TRADE ZONES (FTZ) ARE EXEMPT FROM MOST TAXES AND CUSTOMS DUTIES EXCEPT THOSE RELATING TO LAND TRANSPORT AND CONTRIBUTIONS TO THE SOCIAL SECURITY SYSTEM. COMPANIES IN THE FREE TRADE ZONES ARE EXEMPTED FROM PROFITS TAX FOR THE FIRST 10 YEARS OF EXPORT OPERATION.

FOREIGN DIRECT INVESTMENT STATISTICS

TUNISIA ATTRACTED TD 682 MILLION OF TOTAL FOREIGN INVESTMENT IN 1998, UP FROM TD 380 MILLION IN 1997. AS MUCH AS 75 PERCENT OF FOREIGN DIRECT INVESTMENT (FDI) IN TUNISIA IN RECENT YEARS HAS BEEN IN THE ENERGY SECTOR -- PRINCIPALLY IN THE AREAS OF PETROLEUM EXPLORATION AND DEVELOPMENT, ALTHOUGH THE PERCENTAGE OF MANUFACTURING INVESTMENT IS INCREASING. THE PRIVATIZATION OF TWO CEMENT PLANTS IN 1998 IS RESPONSIBLE FOR ONE HALF OF THE INCREASE IN FDI. CONTINUED PRIVATIZATION IS EXPECTED TO SUSTAIN THE UPWARD TREND IN FOREIGN DIRECT INVESTMENT. THE RADES II INDEPENDENT POWER PROJECT, VALUED AT \$300 MILLION, WILL SIGNIFICANTLY INCREASE FDI IN 1999.

GOVERNMENT FIGURES INDICATE OVER 1600 COMPANIES ESTABLISHED AS A RESULT OF FOREIGN DIRECT INVESTMENT. THE GOVERNMENT COUNTS OVER 1000 MANUFACTURING COMPANIES WITH FOREIGN OR MIXED CAPITAL, 875 OF WHICH PRODUCE ENTIRELY FOR THE EXPORT MARKET. THE VAST MAJORITY OF THESE COMPANIES ARE IN THE TEXTILE INDUSTRY, WITH MECHANICAL AND ELECTRICAL INDUSTRIES A DISTANT SECOND. FOREIGN INVESTMENT IN AGRICULTURE IS VALUED AT \$140 MILLION, SPREAD OVER 78 JOINT VENTURES RANGING FROM AQUACULTURE TO FLOWER PRODUCTION.

ACCORDING TO 1998 FIGURES, FRANCE IS THE LARGEST SINGLE SOURCE OF FOREIGN INVESTMENT, FOLLOWED BY ITALY, GERMANY, BELGIUM, SWITZERLAND AND THE UNITED KINGDOM. THE U.S. HAS BEEN THE THIRD-LARGEST SOURCE OF FDI OVER THE PAST FIVE YEARS (ALMOST \$300 MILLION), HOWEVER, AND RECENT DEVELOPMENTS IN THE ENERGY INDUSTRY SHOULD FURTHER BOLSTER THAT POSITION. TUNISIA'S ARAB INVESTMENT REMAINS CONCENTRATED IN TOURISM AND FINANCE. ARAB INVESTMENT IN HOTELS, FOR EXAMPLE, REPRESENTED 67 PERCENT OF THE FOREIGN TOTAL IN 1995.

THERE IS NO INFORMATION ON TUNISIAN DIRECT INVESTMENT ABROAD.

THE LARGEST FOREIGN INVESTORS ARE PRIMARILY IN THE PETROLEUM SECTOR AND INCLUDE BRITISH GAS' MISKAR OFFSHORE GAS FIELD (USD 650 MILLION) AND THE TRANSMED PIPELINE FROM ALGERIA. OTHER KEY INVESTMENT SECTORS INCLUDE TELECOMMUNICATIONS AND ELECTRONICS (ALCATEL, ERICSSON, SIEMENS, SONY, PHILIPS, THOMSON), THE AUTOMOTIVE INDUSTRY (ISUZU, PIRELLI, FIAT, IVECO, LEAR CORPORATION), AND FOOD PRODUCTS (NESTLE, NABISCO). MAJOR U.S. COMPANIES IN TUNISIA INCLUDE: BOEING, LEAR CORPORATION (FORMERLY UNITED TECHNOLOGIES), CITIBANK, ARCO, MOBIL, ESSO, GENERAL MOTORS, COCA-COLA, LUCENT TECHNOLOGIES, NORTEL, PEPSI, R.J. REYNOLDS, THE GAP AND NABISCO.

THE THREE LARGEST FOREIGN INVESTMENTS IN THE NEXT THREE YEARS SHOULD INCLUDE THE DEVELOPMENT OF THE HASDRUBAL OFF-SHORE GAS FIELD (ESTIMATED COST: USD 500 MILLION), THE CONSTRUCTION OF THE RADES II (IPP) POWER PLANT (USD 300MILLION), THE CONSTRUCTION OF THE TUNIS-WEST WASTEWATER TREATMENT PLANT (USD 75 MILLION), AND THE PRIVATIZATION OF THREE STATE-OWNED CEMENT FACTORIES (USD 40 - 100 MILLION PER FACTORY).

VIII. TRADE AND PROJECT FINANCING

THE BANKING SYSTEM

THE TUNISIAN BANKING SYSTEM IS A MIXTURE OF PRIVATE AND STATE-OWNED INSTITUTIONS WITH VARYING RANGES OF FINANCIAL INSTRUMENTS AND SERVICES. IT IS COMPOSED OF 13 COMMERCIAL BANKS, EIGHT DEVELOPMENT BANKS, ONE SAVINGS BANK, FIVE PORTFOLIO MANAGEMENT INSTITUTIONS, EIGHT LEASING COMPANIES, EIGHT OFFSHORE BANKS, AND TWO MERCHANT BANKS. THE BANKS ARE STRICTLY REGULATED BY THE CENTRAL BANK OF TUNISIA, WHICH HAS INCREASINGLY INSISTED UPON PRUDENTIAL NORMS FOR BANK RESERVES AND BALANCE SHEETS CLOSE TO INTERNATIONAL STANDARDS IN RECENT YEARS. THE STATE-OWNED INSTITUTIONS -- AND SOME PRIVATE BANKS -- ARE WIDELY BELIEVED TO BE CARRYING SUBSTANTIAL AMOUNTS OF LOW-QUALITY DEBT ON THEIR BOOKS. IT WAS UNOFFICIALLY ESTIMATED IN 1992 THAT 30 PERCENT OF THE DEBT IN THE BANKING SYSTEM WAS NON-PERFORMING OR DELINQUENT. THE ESTIMATED AVERAGE RETURN ON ASSETS WAS BELOW 0.5 PERCENT AT THAT TIME. SUBSEQUENT EFFORTS TO APPLY STRICT PRUDENTIAL REGULATIONS HAS IMPROVED THE GROSS SYSTEM NON-PERFORMING

LOANS TO 22 PERCENT IN 1997. IN 1999, THE WORLD BANK APPROVED A \$159 MILLION LOAN TO SUPPORT BANKING SECTOR REFORM EFFORTS IN TUNISIA. TUNISIAN COMMITMENTS UNDER THE WTO AND THE EU FREE TRADE AGREEMENT TO BEGIN LIBERALIZING ITS BANKING SECTOR WILL LIKELY FORCE MORE SERIOUS REFORM MEASURES OVER THE NEXT FIVE YEARS.

FOREIGN EXCHANGE CONTROLS AFFECTING TRADE

THE TUNISIAN DINAR IS NOW CONVERTIBLE FOR CURRENT ACCOUNT TRANSACTIONS; COMPANIES OR INDIVIDUALS ENGAGING IN FOREIGN TRADE CAN APPLY TO THE CENTRAL BANK FOR A CONVERTIBLE CURRENCY ACCOUNT. FOREIGN INVESTORS MAY FREELY REPATRIATE PROFITS AND PROCEEDS FROM THE SALE OF EQUITY, BUT OTHER TRANSFERS MAY BE SUBJECT TO CENTRAL BANK AUTHORIZATION. MOST TRADE-RELATED TRANSACTIONS ARE CONDUCTED THROUGH LETTERS OF CREDIT WITHOUT DIFFICULTY, ALTHOUGH TUNISIAN BANKS ARE SOMETIMES RELUCTANT TO ISSUE LETTERS OF CREDIT UNDER TERMS HEAVILY FAVORABLE TO THE FOREIGN SUPPLIER. HOWEVER, TUNISIAN LAW STRICTLY PROHIBITS THE FLOW OF CURRENCY OUT OF TUNISIA AS PAYMENT FOR IMPORTS BEFORE PRESENTATION TO THE ISSUING BANK OF DOCUMENTATION ESTABLISHING THAT THE MERCHANDISE IS IN THE CUSTODY OF TUNISIAN CUSTOMS. U.S. EXPORTERS HAVE SUCCESSFULLY USED CONFIRMED, IRREVOCABLE LETTERS OF CREDIT AND LETTERS OF CREDIT AUTHORIZING "PAYMENT AGAINST DOCUMENTS" IN PAST TRANSACTIONS. U.S. COMPANIES SHOULD BE EXTREMELY CAREFUL IN VERIFYING THEIR AUTHORITY TO RECEIVE PAYMENT IN FOREIGN CURRENCY FROM CUSTOMERS RESIDENT IN TUNISIA. THIS ISSUE HAS BEEN THE SOURCE OF CONFUSION AND OCCASIONAL DIFFICULTY FOR SOME U.S. COMPANIES IN TUNISIA.

GENERAL FINANCING AVAILABILITY

FINANCING IS GENERALLY AVAILABLE. TUNISIAN BANKS ARE CONSERVATIVE AND OFTEN RELUCTANT TO DEAL WITH NEWER FIRMS, BUT IT IS RARE TO HAVE A TRADE FAIL BECAUSE OF THE UNAVAILABILITY OF FINANCING. SINCE THE BEGINNING OF 1997, BANKERS HAVE DESCRIBED THE TUNISIAN MARKET AS ONE WHERE THE SUPPLY OF SHORT-TERM COMMERCIAL CREDIT HAS EXCEEDED DEMAND. THIS EXCESS LIQUIDITY IS NOT PRESENT ON MEDIUM TO LONG TERM CREDIT.

HOW TO FINANCE EXPORTS / METHODS OF PAYMENT

TUNISIAN FIRMS ARE PROHIBITED FROM PAYING CASH IN ADVANCE AND GENERALLY RELY UPON LETTERS OF CREDIT. U.S. EXPORTERS SHOULD BE WARY OF LETTERS OF CREDIT PAYABLE UPON RECEIPT OF GOODS IN TUNISIA AFTER PASSAGE THROUGH CUSTOMS. SUPPLIERS HAVE EXPERIENCED SIGNIFICANT DELAYS AND LOSSES IN DEALING WITH THE TUNISIAN CUSTOMS SERVICE.

TYPES OF AVAILABLE EXPORT FINANCING AND INSURANCE

EXIMBANK FINANCING IS FULLY AVAILABLE IN TUNISIA. WHILE LENDING HAS FOCUSED LARGELY ON TRANSACTIONS WITH STATE ENTERPRISES, EXIM HAS EXPRESSED THE DESIRE TO WORK MORE CLOSELY WITH THE PRIVATE SECTOR IN TUNISIA. EXIM WILL CONTINUE TO BE AGGRESSIVE IN MATCHING CONCESSIONAL FINANCING FROM FOREIGN COMPETITORS' GOVERNMENTS, ESPECIALLY GIVEN NEW OECD REQUIREMENTS REGARDING CONCESSIONAL FINANCING OF COMMERCIALY BASED PROJECTS. COMPANIES COMPETING FOR GOVERNMENT TENDERS ARE ADVISED TO WORK CLOSELY WITH THE EMBASSY AND EXIM ONCE EVIDENCE OF CONCESSIONAL FINANCING BECOMES CLEAR.

THE U.S. TRADE AND DEVELOPMENT AGENCY (TDA) HAS ALSO PLAYED A MAJOR ROLE ON BEHALF OF U.S. FIRMS SEEKING CONTRACTS IN THE TUNISIAN MARKET. TDA'S SERVICES IN THE PAST THREE YEARS HAVE INCLUDED FEASIBILITY STUDY FUNDING, CONDITIONAL TRAINING GRANTS, AND TRADE DEVELOPMENT MISSIONS.

PROJECT FINANCING AVAILABILITY

THE WORLD BANK (IBRD) AND AFRICAN DEVELOPMENT BANK (AFDB) SUPPORT A VARIETY OF PROJECTS IN TUNISIA. IBRD EFFORTS ARE FOCUSED ON SEVERAL AREAS INCLUDING THE ENVIRONMENT, PRIVATIZATION AND INDUSTRIAL RESTRUCTURING, THE ROAD NETWORK, AND DAMS AND IRRIGATION. AFDB ASSISTANCE INCLUDES MAJOR DAM PROJECTS.

THE EUROPEAN INVESTMENT BANK (EIB) IS INVOLVED IN FINANCING A VARIETY OF MAJOR INFRASTRUCTURE PROJECTS AND VOCATIONAL TRAINING. THE EIB ALSO FINANCES IMPORTS OF EUROPEAN CAPITAL GOODS.

LIST OF BANKS WITH CORRESPONDENT U.S. BANKING RELATIONSHIPS

CITIBANK, THE ONLY AMERICAN BANK OPERATING IN TUNISIA, HAS BOTH ONSHORE AND OFFSHORE BRANCHES, WITH OFFICES IN SFAX AND TUNIS. MOST TUNISIAN BANKS MAINTAIN A CORRESPONDING RELATIONSHIP WITH ONE OR MORE U.S. BANKS.

IX. BUSINESS TRAVEL

BUSINESS CUSTOMS

TUNISIA IS A SELF-AVOWEDLY OPEN SOCIETY THAT PRIDES ITSELF IN BEING A BRIDGE BETWEEN THE EUROPEAN AND ARAB WORLDS. ALTHOUGH THE OFFICIAL LANGUAGE IS ARABIC, FRENCH IS WIDELY SPOKEN AND SERVES AS THE COMMON BUSINESS LANGUAGE. MANY TUNISIANS ALSO SPEAK GERMAN, ITALIAN AND ENGLISH. THE TUNISIAN GOVERNMENT HAS BEGUN TO PLACE A GREATER EMPHASIS ON TEACHING ENGLISH-LANGUAGE SKILLS IN THE PUBLIC SCHOOLS, AND THE USE OF ENGLISH IS BECOMING MORE WIDESPREAD.

TRAVEL ADVISORY AND VISAS

AMERICAN BUSINESS TRAVELERS MAY OBTAIN AN AIRPORT VISA UPON ARRIVAL. STAYS LONGER THAN FOUR MONTHS REQUIRE A VISA EXTENSION. RESIDENCY AND WORK PERMITS ARE AVAILABLE FROM THE MINISTRY OF INTERIOR AND MINISTRY OF LABOR AND SOCIAL AFFAIRS, RESPECTIVELY. APPLICATIONS FOR RESIDENCY PERMITS CAN NOW BE MADE THROUGH THE REGIONAL POLICE HEADQUARTERS (DIRECTIONS REGIONALES DE LA SECURITE NATIONALE) INSTEAD OF LOCAL POLICE STATIONS. THE TUNISIAN GOVERNMENT INSTITUTED THIS CHANGE IN 1999 IN RESPONSE TO COMPLAINTS THAT THE APPLICATION AND RENEWAL PROCEDURES FOR RESIDENCY PERMITS WERE LABOR-INTENSIVE AND TIME-CONSUMING (SOMETIMES TAKING UP TO EIGHT MONTHS). THE GOVERNMENT ALSO INTRODUCED AN OFFICE IN THE MINISTRY OF INTERNATIONAL COOPERATION AND FOREIGN INVESTMENT TO EXPEDITE THIS PROCESS FOR FOREIGN INVESTORS. BY LAW, THESE PERMITS ARE VALID FOR ONLY ONE YEAR, RENEWABLE FOR ONLY ONE ADDITIONAL YEAR UPON APPLICATION. THIS LIMITATION IS RARELY ENFORCED. IN PRACTICE, EXPATRIATE RESIDENTS ROUTINELY STAY IN TUNISIA BEYOND THE TWO-YEAR MAXIMUM, RENEWING THEIR PERMITS ANNUALLY.

HOLIDAYS

MAJOR TUNISIAN SECULAR HOLIDAYS ARE AS FOLLOWS:

TUNISIAN INDEPENDENCE DAY	MARCH 20
MARTYR'S DAY	APRIL 9
LABOR DAY	MAY 1
REPUBLIC DAY	JULY 25
WOMEN'S DAY	AUGUST 13
ANNIVERSARY OF PRES. BEN ALI'S	NOVEMBER 7
ACCESSION TO POWER	

THE FOLLOWING RELIGIOUS HOLIDAYS ARE ALSO OBSERVED. ACTUAL DATES ARE BASED ON THE LUNAR CALENDAR AND VARY FROM YEAR TO YEAR.

AID ESSEGHIR (EL-FITR)
AID EL KEBIR (EL-IDHA)
RAS EL AM EL HIJRI
MOULED

BUSINESS INFRASTRUCTURE

TUNISIA'S PHYSICAL BUSINESS INFRASTRUCTURE IS IMPROVING. THE MAIN CONTAINER PORT AT RADES/TUNIS HANDLES MOST INCOMING AND OUTGOING SEA-FREIGHT TRAFFIC. SFAX, TUNISIA'S SECOND LARGEST CITY AND A LARGE COMMERCIAL CENTER, CAN ALSO HANDLE A LIMITED AMOUNT OF CONTAINER TRAFFIC. THE ROAD NETWORK IS FAIRLY WELL DEVELOPED, WITH MAJOR HIGHWAYS CONSTRUCTED OR IN THE PLANNING STAGES BETWEEN MAJOR COASTAL POPULATION CENTERS. MUNICIPAL POWER AND WATER ARE GENERALLY RELIABLE. ACCESS TO HIGH-QUALITY TELECOMMUNICATIONS SERVICES, PARTICULARLY HIGH-SPEED / HIGH-CAPACITY DATA TRANSMISSION AND THE INTERNET IS BECOMING MORE WIDELY AVAILABLE AND LESS EXPENSIVE. INTERNATIONAL CALLING CARDS ARE NOT OPERATIONAL IN TUNISIA. HOWEVER, INTERNATIONAL TELEPHONE RATES DROPPED SIGNIFICANTLY IN 1997, AND THE GOVERNMENT LICENSED THE FIRST TWO PRIVATE COMPANIES TO PROVIDE INTERNET ACCESS -- THE LATTER MOVE SPURRING AN EXPONENTIAL GROWTH IN LOCAL SUBSCRIBERS. THE TUNISIAN GOVERNMENT'S POLICIES IN THIS AREA REFLECT AN ONGOING EFFORT TO BALANCE ITS POLITICAL AND SECURITY CONCERNS WITH THE GROWING DEMAND FOR INTERNET ACCESS AND OTHER NEW INFORMATION TECHNOLOGIES.

EXPATRIATE HOUSING IS VERY COMFORTABLE, ALTHOUGH PRICES HAVE BEEN RISING. HOUSES IN THE TUNIS NEIGHBORHOODS OF

MUTUELLEVILLE, NOTRE DAME, CARTHAGE, SIDI BOU SAID, LA SOUKRA, LA MARSA, AND GAMMARTH ARE COMPARABLE TO OR BETTER THAN MANY SUBURBAN U.S. COMMUNITIES. MEDICAL AND DENTAL SERVICES ARE ADEQUATE IN THE MAJOR CITIES. TUNIS HAS SEVERAL LARGE, WELL-EQUIPPED PRIVATE CLINICS. EXCEPT FOR SPECIALIZED CARE, MOST ILLNESSES CAN BE TREATED LOCALLY. FOOD STANDARDS ARE FAIR AND THE WATER IN THE COASTAL AREA IS POTABLE. FOR THOSE WHO PREFER BOTTLED WATER, IT IS INEXPENSIVE AND EASILY AVAILABLE. EXPATRIATES GENERALLY EQUATE THE OVERALL COST-OF-LIVING WITH THAT OF MAJOR CITIES IN THE U.S.

TEMPORARY ENTRY OF GOODS SUCH AS LAPTOP COMPUTERS AND OTHER PERSONAL BUSINESS ITEMS BROUGHT BY THE VISITOR AS LUGGAGE IS ALLOWED; SUCH ITEMS ARE ROUTINELY CHECKED THROUGH THE CUSTOMS CONTROL POSTS AT AIRPORTS. HOWEVER, PUBLICITY AND EXHIBIT MATERIALS SHIPPED INTO THE COUNTRY REQUIRE CUSTOMS CLEARANCE BY THE RECEIVING PARTY IN TUNISIA. PROVISIONS SHOULD BE MADE IN ADVANCE TO AVOID CUSTOMS DIFFICULTIES.

U.S BUSINESS TRAVELERS ARE ENCOURAGED TO OBTAIN A COPY OF THE "KEY OFFICERS OF FOREIGN SERVICE POSTS: GUIDE FOR BUSINESS REPRESENTATIVES" AVAILABLE FOR SALE BY THE SUPERINTENDENT OF DOCUMENTS, U.S. GOVERNMENT PRINTING OFFICE, WASHINGTON, D.C. 20402; TEL (202) 512-1800; FAX (202) 512-2250. BUSINESS TRAVELERS TO TUNISIA SEEKING APPOINTMENTS WITH U.S. EMBASSY TUNIS SHOULD CONTACT THE COMMERCIAL SECTION IN ADVANCE. THE COMMERCIAL SECTION CAN BE REACHED BY TELEPHONE AT (216) 1-782-566, FAX AT (216) 1-789-719, OR E-MAIL AT ADAMSJD@WO.STATE.GOV.

X. APPENDICES

APPENDIX A - COUNTRY DATA

SOURCES - TUNISIAN GOVERNMENT ECONOMIC BUDGET 1998
INSTITUTE NATIONAL DE LA STATISTIQUE
FOREIGN INVESTMENT PROMOTION AGENCY
BANQUE CENTRALE DE LA TUNISIE

POPULATION	9.6 MILLION (1999 EST)
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POPULATION GROWTH RATE	1.32 (1997)
RELIGION	SUNNI ISLAM (OVER 99%)
GOVERNMENT SYSTEM	REPUBLIC WITH ELECTED PARLIAMENT
LANGUAGES	ARABIC, FRENCH, SOME ENGLISH
WORK WEEK (PRIVATE SECTOR AND BANKS)	MONDAY-FRIDAY
(PUBLIC SECTOR)	MONDAY-SATURDAY

(ALL FIGURES IN USD MILLIONS, EXCEPT WHERE NOTED)

APPENDIX B - DOMESTIC ECONOMY

	1997	1998	1999 (EST)
GDP (CONSTANT TERMS, 1990)	13548.8	13794.2	14795.6
GDP % GROWTH RATE (MEASURED IN LOCAL CURRENCY)	5.4	5.0	6.3
CURRENT GDP PER CAPITA	2080.9	2359.6	2388.4
GOVERNMENT SPENDING AS % OF CURRENT GDP	7424.5 38.7	8047.2 36.5	8608.6 38.1
AS % OF CONSTANT GDP	54.8	58.3	58.5
INFLATION	3.7	3.1	3.0
UNEMPLOYMENT (ESTIMATED)	15.7	15.7	15.7

FOREX RESERVES	1735.8	1819.8	
AT YEAR END			
AVERAGE EXCHANGE RATE			
(US\$1.00 = X TD)	1.0911	1.1241	1.114
FOREIGN DEBT	9926.6	9933.3	10781.0
DEBT SERVICE RATIO	16.4	16.8	16.5
(AS % OF CURRENT RECEIPTS)			
(NOTE:THE MINISTRY OF FINANCE			
CLAIMS THE DEBT SERVICE RATIO			
FOR 1997 WAS ONLY 15.8%)			
U.S. MILITARY ASSISTANCE	0.8000	0.9808	0.08

(NOTE: U.S. CONGRESS APPROPRIATED FOREIGN MILITARY FINANCING FUNDS AND DRAWDOWN AUTHORITY IN ADDITION TO THE STANDARD IMET FUNDS AND HUMANITARIAN ASSISTANCE TO TUNISIA IN FY99.)

APPENDIX C - TRADE (SOURCE: TUNISIAN NATIONAL STATISTICS INSTITUTE)

	<u>1997</u>	<u>1998</u>	<u>1999 (EST)</u>
TOTAL GOODS EXPORTED	5640.3	5811.0	9494.6
TOTAL GOODS IMPORTED	8067.4	8523.7	9510.8
EXPORTS TO US	38.0	28.7	
IMPORTS FROM US	346.5289	2	

MAJOR TRADING PARTNERS (1998)

	TUNISIA'S		TUNISIAN'S	
	EXPORTS	Percentage of Total Export volume	IMPORTS	Percentage of Total Import Volume
FRANCE	1626.9	27.2	2282.9	27.1
ITALY	1277.7	21.3	1679.2	19.9
GERMANY	923.0	15.4	1013.5	12.0
BELGIUM	360.1	6.0	316.7	3.8
SPAIN	208.0	3.5	404.8	4.3
U.S.A.	32.3	0.5	325.1	3.4

APPENDIX D - INVESTMENT STATISTICS

	<u>1997</u>	<u>1998</u>
ANNUAL FOREIGN DIRECT INVESTMENT (FDI)	380.0682.0	
ANNUAL FDI AS % OF GDP	2.8	4.9
TOTAL FDI	4649	5331
TOTAL AS % OF GDP	34.3	38.6

APPENDIX E - U.S. AND COUNTRY CONTACTS

AMERICAN CHAMBER OF COMMERCE

TUNISIAN-AMERICAN CHAMBER OF COMMERCE (TACC)
15 AVE. MOSBAH JARBOU RUE 7116
EL MANAR III 2092
TUNIS
TEL: 216-1-889.780
FAX: 216-1-889.880

GOVERNMENT CONTACTS

MINISTRY OF INTERNATIONAL COOPERATION
AND FOREIGN INVESTMENT
149, AVENUE DE LA LIBERTE
TUNIS
TEL: 216-1-798.522
FAX: 216-1-799.069

MINISTRY OF INDUSTRY
RUE 8010 CITE MONTPLAISIR

IMMUEBLE ENNOUZHA
1002 TUNIS
TEL: 216-1-791.132
FAX: 216-1-782.742

MINISTRY OF COMMERCE
37, AVENUE KHEREDDINE PACHA
TUNIS
TEL: 216-1-890.263
FAX: 216-1-781.324

MINISTRY OF ECONOMIC DEVELOPMENT
PLACE ALI ZOUAOUI
TUNIS
TEL: 216-1-334.022
FAX: 216-1-351.666

MINISTRY OF FINANCE
PLACE DU GOUVERNEMENT
LA KASBAH
TUNIS
TEL: 216-1-566.210
FAX: 216-1-563.959

MINISTRY OF ENVIRONMENT
CENTRE URBAIN NORD
TUNIS
TEL: 216-1-704.000
FAX: 216-1-703.286

MINISTRY OF AGRICULTURE
30 RUE ALAIN SAVARY
TUNIS
TEL: 216-1-681.654
FAX: 216-1-890.391

MINISTRY OF TOURISM AND HANDICRAFTS
AVENUE MOHAMED V
TUNIS
TEL: 216-1-341.077
FAX: 216-1-350.997

MINISTRY OF TRANSPORT
ZONE MONTPLAISIR
AVENUE MOHAMED V
TEL: 216-1-781.824
FAX: 216-1-790.149

FOREIGN INVESTMENT PROMOTION AGENCY (FIPA)
63 RUE DE SYRIE
TUNIS
TEL: 216-1-792.144
FAX: 216-1-782-971

ENTREPRISE TUNISIENNE DES ACTIVITIES PETROLIERES (ETAP)
27 BIS AVENUE KHEIREDDINE PACHA
TUNIS
TEL: 216-1-782.288
FAX: 216-1-784.092
(STATE PETROLEUM COMPANY)

AGENCE DE PROMOTION DE L'INDUSTRIE (API)
RUE DE SYRIE
TUNIS
TEL: 216-1-792.144
FAX: 216-1-782.482

INSTITUT NATIONAL DE LA NORMALISATION ET DE LA
PROPRIETE INDUSTRIELLE (INNORPI)
CITE EL KHADRA
TUNIS
TEL: 216-1-785.922
FAX: 216-1-781.563
(INDUSTRIAL STANDARDS AND COPYRIGHT AUTHORITY)

TUNISIAN GAS AND ELECTRICITY COMPANY (STEG)
38, RUE KAMEL ATATURK
TUNIS
TEL: 216-1-341.311
FAX: 216-1-341.401

OFFICE NATIONAL D'ASSAINISSEMENT
32 RUE HEDI NOUIRA
TUNIS
TEL: 216-1-343.200
FAX: 216-1-350.411
(STATE SANITATION AGENCY)

TUNISIE TELECOM
RUE ASDRUBAL
(EN FACE DU GALAXIE 2000)
TUNIS

TEL: 216-1-801.011
FAX: 216-1-800.777
(TELECOMMUNICATIONS PARASTATAL)

TUNISAIR
BOULEVARD DU 7 NOVEMBRE
TUNIS
TEL: 216-1-700.100
FAX: 216-1-700.008
(STATE AIRLINE)

CENTRAL BANK OF TUNISIA
RUE HEDI NOUIRA
TUNIS
TEL: 216-1-340.588
FAX: 216-1-340.615

BUREAU OF CUSTOMS
RUE ICH-BILIA
TUNIS
TEL: 216-1-333.600
FAX: 216-1-353.255

TUNISIAN EMBASSY
1515 MASSACHUSETTS AVE., N.W.
WASHINGTON D.C. 20005
TEL: (202) 862-1850
FAX: (202) 862-1858

MARKET RESEARCH

TACC (SEE ABOVE)

TUNISIAN AMERICAN ASSOCIATION FOR MANAGEMENT STUDIES (TAAMS)
10, RUE MOSBAH JARBOU
EL MANAR III
TUNIS
TEL: 216-1-889.566
FAX: 216-1-872.033

COMMERCIAL BANKS

CITIBANK
55, AVENUE JUGURTHA
TUNIS
TEL: 216-1-790.066
FAX: 216-1-785.556
(ONLY U.S. BANK IN TUNISIA WITH
ONSHORE AND OFFSHORE SERVICES)

INTERNATIONAL MAGHREB MERCHANT BANK

IMMEUBLE MAGHREBIA TOUR A

Z.I. CHARGUIA 2035

TEL: 216-1-708-220

FAX: 216-1-708-020

AMEN BANK
13 AVENUE DE FRANCE
TUNIS
TEL: 216-1-340.511
FAX: 216-1-349.909

BANQUE INTERNATIONALE ARABE DE TUNISIE (BIAT)
70-72, AVENUE HABIB BOURGUIBA
TUNIS
TEL: 216-1-340.722
FAX: 216-1-340.680

BANQUE NATIONALE AGRICOLE (BNA)
RUE HEDI NOUIRA
TUNIS
TEL: 216-1-791.200
FAX: 216-1-793.031

U.S. EMBASSY TRADE CONTACTS

AMERICAN EMBASSY TUNIS
144, AVENUE DE LA LIBERTE
1002 TUNIS-BELVEDERE
TEL: 216-1-782-566
FAX: 216-1-789-719

JULIE ADAMS, COMMERCIAL ATTACHÉ
BECHIR OUEDERNI, COMMERCIAL SPECIALIST
CHARLOTTE JOULAK, ECONOMIC SPECIALIST
NELLY ALI, TRANSLATOR/COMMERCIAL SPECIALIST

COL MICHAEL BRODERICK, CHIEF
OFFICE OF DEFENSE COOPERATION

W. QUINTIN GRAY, AGRICULTURAL COUNSELOR
OFFICE OF AGRICULTURAL AFFAIRS
(RESIDENT IN RABAT, MOROCCO)

WASHINGTON-BASED U.S. GOVERNMENT COUNTRY CONTACTS

U.S. DEPARTMENT OF COMMERCE
DAVID GUGLIELMI

TUNISIA DESK OFFICER
OFFICE OF THE NEAR EAST
HERBERT HOOVER BUILDING ROOM 2039
WASHINGTON D.C. 20230
TEL: (202) 482-1860
FAX: (202) 482-0878

U.S. DEPARTMENT OF STATE
JESSYE LAPENN
TUNISIA DESK OFFICER
NEA/ENA
ROOM 5250
WASHINGTON D.C. 20520
TEL: (202) 647-3614
FAX: (202) 736-4458

U.S. DEPARTMENT OF STATE
OFFICE OF THE COORDINATOR FOR BUSINESS AFFAIRS
TEL: (202) 647-1625
FAX: (202) 647-3953
TPCC TRADE INFORMATION CENTER
WASHINGTON, DC
TEL: 1 - 800 - USA - TRADE

U.S. DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
TRADE ASSISTANCE AND PROMOTION OFFICE
TEL: (202) 720-7420

APPENDIX F - MARKET RESEARCH

THE EMBASSY OFFERS A RANGE OF COMMERCIAL SERVICES, INCLUDING
SECTORAL OVERVIEWS AND IN-DEPTH MARKET ANALYSES. A FULL LIST
OF THESE SERVICES AND THE ASSOCIATED FEES IS AVAILABLE FROM
THE EMBASSY.

EXISTING PUBLICATIONS INCLUDE:

"ELECTRICITY PRODUCTION IN TUNISIA" (1999)
"TUNISIA'S TELECOMMUNICATIONS SECTOR" (1999)
"CIVIL AVIATION IN TUNISIA" (1999)
"TUNISIA'S ENVIRONMENTAL TECHNOLOGIES INDUSTRY SECTOR
OVERVIEW" (1999)

PLANNED FUTURE STUDIES INCLUDE:

FINANCIAL SERVICES SECTOR
PHARMACEUTICAL SECTOR

A COMPLETE LIST OF MARKET RESEARCH IS AVAILABLE ON THE NTDB.

APPENDIX G : TRADE EVENT SCHEDULE

INFRASTRUCTURE 2000 CATALOG SHOW
2000 TUNIS INTERNATIONAL TRADE FAIR

INTERESTED FIRMS SHOULD CONSULT THE EXPORT PROMOTION CALENDAR
ON THE NTDB, OR CONTACT THE EMBASSY COMMERCIAL SECTION FOR
THE LATEST INFORMATION OR TO ARRANGE INDIVIDUAL TRADE
PROGRAMS.